S.CULTURE
INTERNATIONAL HOLDINGS LIMITED

S. CULTURE INTERNATIONAL HOLDINGS LIMITED
港大零售國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1255



Sole Sponsor

RHB OSK
RHB OSK Capital Hong Kong Limited

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

RHB OSK
RHB OSK Securities Hong Kong Limited

IMPORTANT

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

S. CULTURE INTERNATIONAL HOLDINGS LIMITED
港大零售國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	**:**	**50,000,000 new Shares (subject to the Over-allotment Option)**
Number of International Placing Shares	**:**	**45,000,000 new Shares (subject to adjustment and the Over-allotment Option)**
Number of Public Offer Shares	**:**	**5,000,000 new Shares (subject to adjustment)**
Offer Price	**:**	**Not more than HK$2.13 per Share and expected to be not less than HK$1.51 per 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 each**
Stock code	**:**	**1255**

Sole Sponsor

RHB OSK Capital Hong Kong Limited

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

RHB OSK Securities Hong Kong Limited

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'' 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. 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.

Please refer to the section headed ''Risk Factors'' in this prospectus for a discussion of certain risks that you should consider in connection with an investment in the Shares.

The Offer Price is expected to be fixed by agreement among the Sole Global Coordinator (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 5 July 2013 and, in any event, not later than 12:00 noon on Monday, 8 July 2013. The Offer Price will be not more than HK$2.13 per Share and is currently expected to be not less than HK$1.51 per Share unless otherwise announced.

The Sole Global Coordinator (on behalf of the Underwriters) may with the consent of our Company reduce the number of Offer Shares being offered under the Global Offering and/or indicative Offer Price range below that stated in this prospectus (which is HK$1.51 per Share to HK$2.13 per Share) at any time on or prior to the morning of the last day for lodging applications under the Public Offer. 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 Standard (in English) and Sing Tao Daily (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Public Offer.

If, for any reason, the Offer Price is not agreed among our Company and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering will not proceed.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Public Offer Shares, are subject to termination by the Sole Global Coordinator (on behalf of the Public Offer Underwriters) if certain circumstances 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 — The Public Offer — Grounds for Termination'' in this prospectus. It is important that you carefully read that section for further details.

28 June 2013

We will issue an announcement in Hong Kong to be published in The Standard (in English) and Sing Tao Daily (in Chinese) if there is any change in the following expected timetable of the Public Offer.

2013

Latest time for lodging **PINK** Application Forms at our Company's headquarters, Flat F–J, 11th Floor, Block 2, Kwai Tak Industrial Centre, 15–33 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong . . . . . 4:00 p.m. on Wednesday, 3 July

Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk**[2] . . . . . 11:30 a.m. on Thursday, 4 July

Application lists open[3] . . . . . 11:45 a.m. on Thursday, 4 July

Latest time to lodge **WHITE** and **YELLOW** Application Forms and to give **electronic application instructions** to HKSCC[4] . . . . . 12:00 noon on Thursday, 4 July

Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)[2] . . . . . 12:00 noon on Thursday, 4 July

Application lists close[3] . . . . . 12:00 noon on Thursday, 4 July

Expected Price Determination Date[5] . . . . . Friday, 5 July

(a) Announcement of the final Offer Price, the indication of level of interest in the International Placing, the results of applications in the Public Offer and Employee Preferential Offering and the basis of allocation under the Public Offer and Employee Preferential Offering to be published (a) in The Standard (in English) and Sing Tao Daily (in Chinese); (b) on the website of our Company at **www.s-culture.com**; and (c) on the website of the Stock Exchange at **www.hkexnews.hk** on or before[6] . . . Wednesday, 10 July

2013

(b) Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed ''How to Apply for Public Offer Shares and Employee Reserved Shares — Channels of Applying for the Public Offer Shares — 9. Publication of Results, Despatch/Collection of Share Certificates and Refunds of Application Monies'' from . . . . . Wednesday, 10 July

A full announcement of the Public Offer containing (a) and (b) above to be published on the website of the Stock Exchange at **www.hkexnews.hk**[6] and our Company's website at **www.s-culture.com**[7] . . . . . Wednesday, 10 July

Results of allocations in the Public Offer and Employee Preferential Offering will be available at **www.tricor.com.hk/ipo/result** with a ''search by ID'' function on . . . . . Wednesday, 10 July

Despatch of share certificates of the Offer Shares or deposit of share certificates of the Offer Shares into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer and Employee Preferential Offering on or before[8] . . . . . Wednesday, 10 July

Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful (in the event that the final Offer Price is less than initial price per Public Offer Share payable on application) and wholly or partially unsuccessful applications pursuant to the Public Offer on or before[9] . . . . . Wednesday, 10 July

Dealing in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on. . . . . Thursday, 11 July

Notes:

1. All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Global Offering, including the conditions of the Public Offer, are set out in the section headed ''Structure and Conditions of the Global Offering'' in this prospectus. If there is any change in this expected timetable, an announcement will be published in The Standard (in English) and Sing Tao Daily (in Chinese).

2. You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment 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 eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 4 July 2013, the application lists will not open and close on that day. Please refer to the section headed ''How to Apply for Public Offer Shares and Employee Reserved Shares — Channels of Applying for the Public Offer Shares — 6. When May Applications Be Made — (f) Effect of Bad Weather Conditions on the Opening of the Application Lists'' in this prospectus. If the application lists do not open and close on Thursday, 4 July 2013, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.

4. Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed ''How to Apply for Public Offer Shares and Employee Reserved Shares — Channels of Applying for the Public Offer Shares — 6. When May Applications Be Made — (c) Electronic Application Instructions to HKSCC via CCASS'' in this prospectus.

5. The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Friday, 5 July 2013 and in any event, not later than Monday, 8 July 2013. If, for any reason, the final Offer Price is not agreed by 12:00 noon on Monday, 8 July 2013 between the Sole Global Coordinator (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

6. The announcement will be available for viewing on the ''Main Board — Allotment of results'' page on the website of the Stock Exchange at **www.hkexnews.hk**.

7. None of the information contained on any website forms part of this prospectus.

8. Applicants who apply for 1,000,000 Public Offer Shares or more and/or 500,000 Employee Reserved Shares and have indicated in their Application Forms that they wish to collect share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Share Registrar, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 10 July 2013 or any other date as notified by us in the newspapers as the date of despatch of share certificates/e-Auto Refund payment instructions/ refund cheques. Applicants being individuals who opt for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his/her/its corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar, Tricor Investor Services Limited. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants' own risk. Further information is set out in the section headed ''How to Apply for Public Offer Shares and Employee Reserved Shares'' in this prospectus.

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

Share certificates are expected to be issued on Wednesday, 10 July 2013 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares 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 do so entirely at their own risk.

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

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This summary aims at giving you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors". You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

As an established distributor and retailer of lifestyle comfort footwear products, we rely substantially on the sales of Clarks branded footwear products supplied by C&J Clark which was our largest supplier during the Track Record Period. Our total revenue generated from our sale of Clarks branded footwear products amounted to approximately HK$296.0 million, HK$400.9 million and HK$404.4 million for the three years ended 31 December 2010, 2011 and 2012, respectively, which accounted for approximately 80.9%, 84.8% and 80.0% of our total revenue for the relevant periods, respectively. Furthermore, C&J Clark granted licences to us to use certain trademarks such as Clarks, in connection with our sale of footwear products supplied by it. Our customers' loyalty to our products, and our sales volume and revenue, rely to a certain extent, on the market's recognition and awareness of the brand of Clarks.

In addition to Clarks branded footwear products, we distribute and sell lifestyle comfort footwear products of other international brands, including Josef Seibel, The Flexx and Yokono in Hong Kong, Taiwan and Macau. With an operating history of over 38 years in Hong Kong, we have developed and maintained strong and successful relationships with our suppliers of international branded footwear products.

During the Track Record Period, we were the exclusive distributor in Hong Kong, Taiwan and Macau for most of our licensed brands, including Clarks, Josef Seibel, the Flexx and Yokono, and our exclusive distributorship extends to the PRC or other Asia countries for several licensed footwear brands, including Josef Seibel and Yokono. We are not required to pay any fees to any of our existing suppliers for obtaining or renewing our distributorship or franchise.

Apart from distribution to wholesale customers, we are also a retailer of our licensed footwear brands through our self-operated Retail Outlets network under the trade names S.Culture, shoe mart and SCOOPS, and individual licensed brands, such as Clarks, Clarks Originals and Josef Seibel.

As at the Latest Practicable Date, we had a total of 98 Retail Outlets comprising 30 self-rented shops and 21 concessions in Hong Kong, eight self-rented shops and 37 concessions in Taiwan and two self-rented shops in Macau. We also sell our products to wholesale customers, such as footwear retail chain stores and department stores. As at 31 December 2010, 2011 and 2012, we had 90, 82 and 79 wholesale customers, respectively.

We do not possess any manufacturing capacity and all of our products are end products supplied to us by suppliers who are Independent Third Parties.

We rely substantially on C&J Clark

We have established business relationship with C&J Clark since 1974 and have been the retailer and exclusive distributor of C&J Clark in Hong Kong, Taiwan and Macau uninterruptedly since 1997. As at the Latest Practicable Date, we had entered into a distributorship agreement and an international franchise agreement with C&J Clark which granted us exclusive distribution rights and rights to open Retail Outlets under its brands, subject to the terms of the agreements, respectively, both for a term of five years and will expire on 31 December 2017. When approaching the expiry of the distributorship and international franchise agreements entered into between our Group and C&J Clark in 2017, we will discuss with C&J Clark to renew the relevant agreements. Our Directors foresee that there would be no difficulty in renewing these agreements, including the exclusive distribution rights, in light of our well-established relationship with C&J Clark since 1974.

In view of the significance of, and our reliance on, C&J Clark, we have been identifying new brands and new product lines under our other existing brands in order to broaden our revenue stream. We believe and anticipate the sales portion to be derived from branded footwear products other than Clarks branded footwear products will gradually increase through our diversified product mix and geographical expansion as, in addition to our new specialty Retail Outlets for Clarks branded footwear products, we also plan to open new specialty Retail Outlets for Josef Seibel and The Flexx branded products in 2013 and 2014. We will introduce new brands, such as launching women footwear products of a new international brand in mid 2013, and enhance our product mix by increasing sales of footwear products with competitive prices in order to reach a wider market base. The sales of other licensed branded footwear products excluding sales of Clarks branded products increased from 5.9% to 15.5% of our total sales during the Track Record Period. Our Directors believe that our long and stable business relationship with C&J Clark will not deteriorate to an extent which will cause our agreements with C&J Clark be terminated. Notwithstanding that, in the event any of our agreements with C&J Clark has to be terminated, which will also lead to the termination of our exclusive distribution right, our Directors believe that our Group will have sufficient time to shift gradually our business focus to other branded footwear products after considering (i) the whole termination process (including the sell-down of remaining inventories and termination or surrender of shop leases) will take up to a year to complete in an orderly manner; (ii) the existing and projected number of multi-branded and specialty Retail Outlets that are carrying other branded footwear products; (iii) the required time from merchandising to production and delivery of other branded footwear products; (iv) the increasing revenue generated by the sales of other branded footwear products during the Track Record Period; and (v) the adequacy of supply of inventories from suppliers of other branded footwear, taking into account of their scales of production and sales worldwide, to replace the number of SKUs historically provided by C&J Clark. For further discussion on our plan to broaden our revenue stream, please refer to section headed ‘‘Business — Business Strategies — Expand Our Retail Network’’ in this prospectus.

Terms of the key agreements with our suppliers

We entered distributorship and/or international franchise agreements with our suppliers for our licensed brands. These suppliers have not set any minimum selling prices in the agreements and we determine our retail and wholesale prices according to our standard pricing policy. The following table sets forth the summary of key terms in the respective agreements which were in force as at the Latest Practicable Date for these brands:

	Minimum purchase requirement (in pairs of footwear)	**Minimum new outlet requirement**
Clarks	certain amount fixed for 2013 with an incremental percentage of approximately 6%, 5%, 5% and 4% from 2013 to 2017, respectively	open three new outlets for each of the year
The Flexx	(i) certain amount fixed for 2012 with an incremental percentage of approximately 100%, 30%, 30% from 2013 to 2015, respectively, in Hong Kong and Taiwan; and (ii) certain amount fixed for 2012 with an incremental percentage of approximately 300%, 87.5% and 233% from 2013 to 2015, respectively, in the PRC*(Note 1)*	no minimum new outlet requirement
Yokono and Yokono K	certain amount fixed for 2013 with an incremental percentage of approximately 50% and 33% from 2014 to 2015, respectively	no minimum new outlet requirement
Streetcars	certain amount fixed for 2009 with an incremental percentage of approximately 73%, 51%, 26% and 24% from 2010 to 2013, respectively*(Note 2)*	no minimum new outlet requirement

Notes:

1. Our Group has not commenced any business in the PRC as at 31 December 2012. Upon discussion with The Flexx, a waiver from strict compliance with the minimum purchase requirement in the PRC for the year ended 31 December 2012 was granted to us. We may introduce The Flexx to the PRC market via wholesale channels in the year 2013.
2. Due to the business strategies of Streetcars, Inc. for its operation in Asia Pacific, a waiver from strict compliance of all minimum purchase requirements during the contractual term was granted to us.

Particulars of business plan with our supplier *(Note)*

	Suggested purchase requirement (in pairs of footwear)	**Suggested minimum cumulative total number of outlets opened by end of year**
Josef Seibel	no suggested minimum purchase requirement	suggested to maintain the minimum number of outlets at (i) 17, 20, 22 and 25 in Hong Kong; and (ii) 11, 15, 25 and 30 in Taiwan, from 2012 to 2015, respectively

Note:

No minimum purchase requirement or minimum new outlet requirement is stipulated under the agreements entered into between our Group and Josef Seibel. With reference to our Group's business plan agreed with Josef Seibel, there are non-legally binding terms on suggested purchase requirement and suggested minimum cumulative total number of outlet opened by end of year.

Our purchases during the Track Record Period

Clarks

For the three years ended 31 December 2010, 2011 and 2012, we purchased approximately 383,100 SKUs, 439,600 SKUs and 448,700 SKUs from C&J Clark which represented approximately 3%, 14% and 12% above the minimum purchase requirements for the same periods, respectively, stipulated under our relevant distributorship agreement and international franchise agreement with C&J Clark.

Josef Seibel

For the three years ended 31 December 2010, 2011 and 2012, we purchased approximately 54,000 SKUs, 88,000 SKUs and 162,900 SKUs from Josef Seibel GmbH, respectively.

The Flexx

For the year ended 31 December 2012, we purchased approximately 19,800 SKUs in Hong Kong and Taiwan from Ka & Ka which represented approximately 9% above the minimum purchase requirement for Hong Kong and Taiwan for 2012 stipulated under our distribution agreement with Ka & Ka.

Yokono and Yokono K

For the year ended 31 December 2012, we purchased approximately 5,500 SKUs from Yukon S.L. which represented approximately 9% above the minimum purchase requirement stipulated under our distribution agreement with Yukon S.L. for 2013.

Streetcars

For the three years ended 31 December 2010, 2011 and 2012, we purchased approximately 19,400 SKUs, 14,600 SKUs and 21,100 SKUs from Streetcars, Inc., respectively.

With reference to the minimum purchase requirements, it is mutually understood between our suppliers and us that the actual purchase quantities are negotiable if necessary. During the Track Record Period, we were able to meet all minimum purchase and minimum new outlet requirements and we did not negotiate over the minimum purchase requirements with our suppliers. For details, please refer to section headed ''Business — Brands and Products'' in this prospectus.

Revenue by brands

The table below sets forth our revenue breakdown by brands and ASP for the periods indicated:

	For the year ended 31 December											
	2010				2011				2012			
	(HK$'000)	*%*	*Units*	*ASP*	*(HK$'000)*	*%*	*Units*	*ASP*	*(HK$'000)*	*%*	*Units*	*ASP*
Clarks	295,993	80.9	354,857	834	400,853	84.8	425,986	941	404,434	80.0	417,193	969
Josef Seibel	21,391	5.9	43,730	489	43,452	9.2	78,345	555	67,164	13.3	119,790	561
The Flexx	—	—	—	—	5,954	1.3	8,638	689	9,558	1.9	14,949	639
Yokono and Yokono K	—	—	—	—	—	—	—	—	1,382	0.3	2,374	582
Others[(Note)]	48,462	13.2	105,222	461	22,184	4.7	122,522	181	22,751	4.5	106,684	213
Total	365,846	100.0	503,809	726	472,443	100.0	635,491	743	505,289	100.0	660,990	764

Note:

Others include footwear products of other brands and accessories.

SELECTED COMBINED STATEMENTS OF COMPREHENSIVE INCOME AND STATEMENTS OF FINANCIAL POSITION LINE ITEMS

	Year ended/As at 31 December		
	2010	**2011**	**2012**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Revenue	365,846	472,443	505,289
Gross profit	217,338	296,533	326,963
Profit for the year attributable to owners of our Company	18,085	31,502	25,079
Current assets	186,140	193,741	222,523
Current liabilities	121,965	125,497	129,593
Net current assets	64,175	68,244	92,930
Net assets	100,959	124,128	149,672
Total assets	240,966	265,625	294,625

During the Track Record Period, our revenue was substantially generated from retail. The table below sets forth our revenue breakdown by channels through retail and wholesale for the Track Record Period:

	For the year ended 31 December					
	2010		**2011**		**2012**	
	(HK$'000)	*(%)*	*(HK$'000)*	*(%)*	*(HK$'000)*	*(%)*
Total retail	305,154	83.4	403,638	85.4	441,968	87.5
Total wholesale	60,692	16.6	68,805	14.6	63,321	12.5
Total	365,846	100.0	472,443	100.0	505,289	100.0

Our revenue generated from retail was continuously increasing during the Track Record Period as per our Group's strategic development plan of targeting retail market over wholesale. Our revenue from retail for the years ended 31 December 2010, 2011 and 2012 was approximately HK$305.2 million, HK$403.6 million and HK$442.0 million, representing approximately 83.4%, 85.4% and 87.5% of the total revenue, respectively, and also representing a CAGR of approximately 20.3%, while our revenue generated from wholesale for the years ended 31 December 2010, 2011 and 2012 was approximately HK$60.7 million, HK$68.8 million and HK$63.3 million, representing approximately 16.6%, 14.6% and 12.5% of the total revenue, respectively, and also representing an increase of approximately 4.3% from FY2010 to FY2012.

The following table sets out revenue by geographical segments and the percentage contribution of each geographical segment to our total revenue for the Track Record Period:

	For the year ended 31 December					
	2010		**2011**		**2012**	
	(HK$'000)	*(%)*	*(HK$'000)*	*(%)*	*(HK$'000)*	*(%)*
Hong Kong	330,655	90.4	369,834	78.3	393,516	77.9
Taiwan	24,180	6.6	88,267	18.7	96,989	19.2
Macau	11,011	3.0	14,342	3.0	14,784	2.9
Total	365,846	100.0	472,443	100.0	505,289	100.0

Our increases in revenue derived from Hong Kong, Taiwan and Macau were attributable to the increases in sale of footwear products from our Retail Outlets. For the years ended 31 December 2010, 2011 and 2012, our revenue derived from Hong Kong amounted to approximately HK$330.7 million, HK$369.8 million and HK$393.5 million, representing approximately 90.4%, 78.3% and 77.9% of our total revenue, respectively. Our revenue derived from Taiwan increased by approximately HK$64.1 million or 264.9% from approximately HK$24.2 million for FY2010 to approximately HK$88.3 million for FY2011, and further increased by approximately HK$8.7 million or 9.9% to approximately HK$97.0 million for FY2012, representing a CAGR of approximately 100.2%. Our revenue derived from Macau increased by approximately HK$3.8 million or 34.5% from approximately HK$11.0 million for FY2010 to approximately HK$14.8 million for FY2012, representing a CAGR of approximately 16.0%.

Gross profit and gross profit margin

Our gross profit were approximately HK$217.3 million, HK$296.5 million and HK$327.0 million, representing approximately 59.4%, 62.8% and 64.7% of the total revenue for the years ended 31 December 2010, 2011 and 2012, respectively.

Our gross profit margin of total revenue increased from approximately 59.4% for the year ended 31 December 2010 to approximately 62.8% for the year ended 31 December 2011 and to approximately 64.7% for the year ended 31 December 2012, primarily attributable to the increase in ASP of our footwear products. The increase in our ASP were approximately 2.3% between FY2010 and FY2011 and approximately 2.8% between FY2011 and FY2012, primarily reflected by

our careful positioning and management of each brand and sales channel, and the offering of products which highlight each brand's unique style and image, which allowed us to position products of these brands with premium pricing. As a result, we were able to maintain the gross profit margin from overall sales of our footwear products during the Track Record Period.

Our gross profit margin from retail increased from approximately 64.2% for the year ended 31 December 2010 to approximately 66.4% for the year ended 31 December 2011, primarily attributable to an increase in ASP of our products sold via our Retail Outlets. Our gross profit margin from retail remained relatively stable at approximately 66.4% and 67.4% for the two years ended 31 December 2012, respectively.

Net profit for the year ended 31 December 2012

Our net profit decreased by approximately HK$6.4 million or 20.4% from approximately HK$31.5 million for the year ended 31 December 2011 to approximately HK$25.1 million for the year ended 31 December 2012, primarily due to (i) the increase in selling and distribution costs of approximately HK$35.6 million or 23.3%; and (ii) the listing expenses of approximately HK$3.1 million which incurred in FY2012.

SELECTED COMBINED STATEMENTS OF CASH FLOWS

	For the year ended 31 December		
	2010	**2011**	**2012**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Net cash from / (used in) operating activities	49,763	12,874	(15,857)
Net cash used in investing activities	(40,714)	(523)	(5,719)
Net cash from financing activities	427	1,032	16,941
Cash and cash equivalents at the end of the year, representing bank balances and cash	19,471	32,448	28,028

For the FY2012, our Group experienced a net cash used in operating activities of approximately HK$15.9 million. The net cash used in operating activities was a result of (i) operating cash inflow before movement in working capital of approximately HK$38.0 million; (ii) the net working capital outflow of approximately HK$45.9 million; and (iii) profit tax paid in the amount of approximately HK$8.0 million. The net working capital outflow primarily consisted of (i) an increase in inventories of approximately HK$26.7 million; (ii) a decrease in trade and other payables of approximately HK$12.5 million; (iii) an increase in rental deposits of approximately HK$4.2 million; and (iv) an increase in trade and other receivables of approximately HK$2.5 million.

KEY FINANCIAL RATIOS

	As at/for the year ended 31 December		
	2010	**2011**	**2012**
Current ratio[(1)]	1.5 times	1.5 times	1.7 times
Gearing ratio[(2)]	54.4%	54.5%	62.2%
Net profit margin[(3)]	4.9%	6.7%	5.0%

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the relevant year end.
2. Gearing ratio is calculated based on the total debt divided by the total equity as at the relevant year end and multiplied by 100%.

3. Net profit margin is calculated by net profit after taxes divided by the revenue for the relevant year and multiplied by 100%.

For further details on the reasons for the fluctuations of the above financial ratios, please refer to the section headed ''Financial Information — Other Key Financial Ratios'' in this prospectus.

INVENTORY MANAGEMENT

Inventory turnover days

The following table sets forth our average inventory turnover days for the periods indicated:

	For the year ended 31 December		
	2010	**2011**	**2012**
Average inventory turnover days[(1)]	229.4	192.0	225.5
Average inventory turnover days at Retail Outlets[(2)]	187.0	180.8	188.5

Notes:

1. Average inventory turnover days equal to the average inventory divided by cost of goods sold and multiplied by 365 days. Average inventory equals inventory at the beginning of the year plus inventory at the end of the year divided by two.
2. Average inventory turnover days at Retail Outlets equal to the average inventory at Retail Outlets divided by the relevant cost of goods sold multiplied by 365 days. Average inventory at Retail Outlets equal to average inventory at Retail Outlets at the beginning of the year plus inventory at the Retail Outlets at the end of the year divided by two.

The table below sets forth our inventory at Retail Outlets by brands as at 31 December 2012 and subsequent sale of inventories until 31 May 2013:

	Inventory at Retail Outlets as at 31 December 2012		**Subsequent sale until 31 May 2013**		
	SKUs	*(HK$'000)*	*SKUs*	*(HK$'000)*	*%*
Clarks	154,501	61,934	123,974	44,365	71.6
Josef Seibel	47,657	10,601	41,779	10,421	98.3
The Flexx	7,899	1,942	5,715	1,256	64.7
Yokono and Yokono K	3,024	670	745	153	22.9
Others	41,983	5,826	29,989	3,617	62.1
Total	255,064	80,973	202,202	59,812	73.9

Our Directors believe that our footwear products by nature are not fast-moving and have a relatively long product life cycle. Our inventory turnover days are in line with the industry norm. Our Group intends to maintain an inventory benchmark level of approximately 1,000 to 3,000 SKUs per Retail Outlet (based on the size of the Retail Outlet) by 31 December 2013 and thus to improve our cash flow and liquidity position. Based on the latest average monthly sales figures per Retail Outlet of approximately 500 SKUs and average inventory balance per Retail Outlet of approximately 1,000 to 3,000 SKUs for the year ended 31 December 2012, if we could maintain our target level of sales in the coming financial year, we believe that the current level of inventory of footwear products for sales through our Retail Outlets would be fully turned-around before the end of 2013. If our inventory level rises significantly above the optimal level or this is anticipated to happen, we will reduce our aged inventories by selling them in our chain stores under trade name ''shoe mart'', which operate under the concept of selling footwear products from different brands mostly of

previous seasons at a discounted price to avoid possible excessive level of inventory. For further details of the inventory control, please refer to the section headed ''Our Business — Inventory Control and Logistics'' in this prospectus.

We try to maintain an optimal level of inventory by comparing the level of inventory with the sales revenue within a particular period, subject to the prevailing market conditions, and as reserve inventory to support the new Retail Outlets to be opened within the following four to six months. The inventory of our footwear products has to be stocked for the following purposes: (i) as rolling inventory for turnover and replenishing sold footwear products; (ii) to support the expansion of our Retail Outlets; and (iii) to cater for the seasonality of our business, as we generally have a relatively high level of inventory at the end of each year comprising fall and winter footwear products in anticipation of the sales peak during the Chinese New Year holidays. Our fall and winter footwear products generally have higher unit cost than those of our spring and summer footwear which lead to our relatively high inventory balance at year end; and (iv) our diverse offering of footwear products, which requires us to maintain a relatively high inventory level to accommodate a broad range of product offerings. As at 31 May 2013, approximately HK$85.7 million or 68.1% of the finished goods as at 31 December 2012 were subsequently sold.

Inventory management, cash flow and Retail Outlet expansion

To ensure our Group's operating cash flow can maintain at a sufficient level, our management closely monitors the pace of our Group's expansion and inventory level of each Retail Outlet. We believe that by targeting to achieve and maintain such inventory benchmark level as a key performance indicator, we will incentivise our management of merchandising department and sales department to stringently control and closely monitor the inventory level, so that we will be able to improve the efficiency in our cash flow and resource management while maintaining just the right level of inventory to allow for our continuous growth and expansion. With the adoption of the foregoing target inventory benchmark, based on our current estimate and assuming that there will not be material change in (i) the sales trends of our footwear products; (ii) the credit period for receipt of our trade receivables; and (iii) the credit terms for payment of our trade payables and barring any other unforeseen circumstances. Furthermore, our expansion plan of opening Retail Outlets will use 42.8% of net proceeds from the Global Offering and will be adjusted according to the financial condition and market demand in order that our operating cash flow will be maintained at a sufficient and healthy level.

DIVIDEND POLICY

Our Board has absolute discretion in deciding whether to declare any dividend for any year and, if it decides to declare a dividend, how much is to be declared. During the three years ended 31 December 2012, we declared dividends of approximately HK$1.4 million, HK$7.7 million and nil, respectively. On 11 June 2013, we declared a dividend of HK$20.0 million which will be paid from part of the net proceeds (which represents approximately 26.7% of the net proceeds) from the Global Offering. Our Directors have considered several factors such as entitlements of existing Shareholders to our retained profits and reserves and our bank balance and cash, being HK$149.7 million and HK$28.0 million as at 31 December 2012, respectively when declaring the dividend. Our Directors, having considered that the use of part of the net proceeds from the Global Offering to fund the dividend declared would not adversely affect our Group's operating cash flow, are of the view that the dividend declared is fair and reasonable and in the best interest of our Company and the Shareholders as a whole. Please refer to the section headed ''Financial Information — Dividends and Dividend Policy'' in this prospectus for details.

We currently intend to pay dividends of approximately 20% to 60% of our profits available for distribution beginning from the year ending 31 December 2013. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. However, the determination to pay dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future.

GLOBAL OFFERING STATISTICS[(1)]

	Based on an Offer Price of HK$1.51 per Share	**Based on an Offer Price of HK$2.13 per Share**
Market capitalisation of the Shares[(2)]:	HK$302.0 million	HK$426.0 million
Unaudited pro forma adjusted net tangible asset value per Share[(3)]:	HK$1.05	HK$1.20
Price/earnings multiple on a pro forma basis:	12.0 times	17.0 times

Offer size	:	Initially 25% (excluding Shares to be offered pursuant to the exercise of the Over-allotment Option) of the enlarged issued share capital of our Company, which will comprise 50,000,000 new Shares which include (i) the Public Offer of initially 5,000,000 new Shares; and (ii) the International Placing of initially 45,000,000 new Shares
Board lot	:	2,000 Shares
Offering structure[(1)]	:	90% International Placing and 10% Public Offer
Employee Preferential Offering	:	10% of the number of Offer Shares initially available under the Public Offer
Over-allotment Option	:	Up to 15% of the number of Offer Shares initially available under the Global Offering

Use of proceeds:

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK$1.82 per Share, being the mid-point of the indicative Offer Price range of HK$1.51 per Share to HK$2.13 per Share) will be approximately HK$75.0 million, of which approximately:

- 17.1% will be used for opening approximately four, 12 and 15 specialty Retail Outlets to be operated under the trade name of Josef Seibel in the PRC for each of the years ending 31 December 2013, 2014 and 2015, respectively;
- 25.7% will be used for opening approximately four, four and six Retail Outlets in Hong Kong for each of the years ending 31 December 2013, 2014 and 2015, respectively, and approximately four, seven and 10 Retail Outlets in Taiwan for each of the years ending 31 December 2013, 2014 and 2015, respectively;
- 30.7% will be used to settle outstanding amounts due to existing Shareholders (including dividend of HK$20 million declared and remaining balance of amounts due to related parties) and amount due to immediate holding company;
- 8.0% will be used for renovating our Retail Outlets in Hong Kong and Taiwan;

— 5.0% will be used for upgrading our information technology systems;
— 5.0% will be used for revamping our logistics facilities in Hong Kong and Taiwan;
— 5.0% will be used for marketing and promotion; and
— 3.5% will be used for additional working capital and other general corporate purposes.

For further details, please refer to the section headed ''Future Plans and Use of Proceeds'' in this prospectus.

Notes:
1. All statistics in this table are based on assumption that the Over-allotment Option is not exercised.
2. The calculation of the market capitalisation of our Company is based on 200,000,000 Shares in issue immediately after completion of the Global Offering and without taking into account the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the mandates granted to our Directors by the written resolutions of our Shareholders dated 11 June 2013.
3. The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after the adjustments set forth in Appendix II to this prospectus and on the basis of 200,000,000 Shares in issue immediately following completion of the Global Offering and without taking into account the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the mandates granted to our Directors by the written resolutions of our Shareholders dated 11 June 2013.

PRICING AND DISCOUNT POLICY

Our profitability depends on the competitiveness of our products in terms of prices. The following factors are taken into consideration in determining the retail prices of our products:

- cost incurred from our orders to suppliers;
- retail prices of similar products in the market;
- market positioning of our products;
- features and designs of our products; and
- anticipated market trends and demand.

Our Group, as a distributor, can determine the retail or wholesale prices and no minimum selling prices would be set by the suppliers. Our standard pricing policy generally applies to all Retail Outlets across the same geographical region. Please refer to the section headed ''Business — Pricing and Discount Policy'' in this prospectus for details.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our business operations which are set out in the section headed ''Risk Factors'' in this prospectus. Additional risks and uncertainties not presently known to us, or not expressed or implied below; or that we deem immaterial, could harm our results of operations, financial position and business.

SHAREHOLDER INFORMATION

Controlling Shareholders

Immediately following the completion of the Global Offering and the Capitalisation Issue, assuming the Over-allotment Option and any option which may be granted under the Share Option Scheme are not exercised, Mr. H. S. Chong, Mr. H. H. Chong, Mr. Charles Chong, Mr. Chu and KTS International will, together, be entitled to control the exercise of voting rights attaching to 146,550,000 Shares (representing approximately 73.27% of the enlarged issued share capital of the Company). Please refer to the section headed ''Relationship with Our Controlling Shareholders'' in this prospectus for details.

RECENT DEVELOPMENT OF OUR GROUP SUBSEQUENT TO THE TRACK RECORD PERIOD

The following is a summary of our selected unaudited financial information for the five months ended 31 May 2013 which was prepared on the same basis as our audited financial information in Appendix I to this prospectus. Our Group has engaged the Reporting Accountants to report factual findings in respect of selected financial information, including the total revenue for the four months ended 30 April 2013, in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 400 ''Comfort Letters and Due Diligence Meetings'' issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA''). The Directors confirm that there has been no material adverse change in our financial or trading position or prospects of our Company since 31 December 2012, being the last date of our latest audited financial results as set out in the Accountants' Report in Appendix I, up to the date of this prospectus. As far as we are aware, there was no material change in the general conditions in the footwear products distributions and retail market in Hong Kong, Taiwan and Macau that had affected or would affect our business operations or financial conditions materially and adversely.

Based on our unaudited financial information, we recorded a total revenue of approximately HK$211.2 million, or a monthly average of approximately HK$42.2 million, for the five months ended 31 May 2013. Comparatively, our monthly average for the five months ended 31 May 2012 and the year ended 31 December 2012 were approximately HK$40.3 million and HK$42.1 million, respectively. The increase in monthly average revenue for the five months ended 31 May 2013, as compared with that for the five months ended 31 May 2012 and the year ended 31 December 2012, was primarily due to the substantially higher revenue recognised from sales of our footwear products in the Chinese New Year holiday which occurred in February 2013 but January 2012. The shift in the Chinese New Year holiday period allowed the Group to capture the peak Chinese New Year revenue in January and February 2013 where the Group only captured the peak Chinese New Year revenue in January 2012. This resulted in the increase in average monthly sales in 2013.

The Directors confirm that we did not have any material non-recurring income or expenses for the five months ended 31 May 2013 save for certain expenses incurred in relation to the Listing. As at 31 May 2013, 98.6% of the trade receivables as at 31 December 2012 have been subsequently settled. As at 31 May 2013, 73.9% of the inventories as at 31 December 2012 were subsequently sold at our Retail Outlets.

EXPANSION OF OUR RETAIL NETWORK

While we plan to further penetrate into our existing markets in Hong Kong and Taiwan by increasing the number of Retail Outlets, we will also expand our retail network to the PRC by the year ending 31 December 2013. As at the Latest Practicable Date, among our licensed brands, we intend only introducing Josef Seibel branded footwear products to the PRC. Please refer to the section headed ''Business — Business Strategies — Expand Our Retail Network'' in this prospectus for details.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the Latest Practicable Date, there had been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2012, and there had been no event since 31 December 2012 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus, in each case except as otherwise disclosed herein.

Our Directors have also confirmed that there has not been any material change in our indebtedness and contingent liabilities since 31 December 2012.

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

''Advertiser's Media''	Advertiser's Media Agency Limited, a company incorporated in Hong Kong with limited liability on 26 November 1996 and a wholly-owned subsidiary of Grand Asian
''Aiuti''	Aiuti Company Limited（艾爾迪有限公司）, a company incorporated in Hong Kong with limited liability on 18 June 2004 and a wholly-owned subsidiary of Grand Asian before the Reorganisation
''Application Form(s)''	**WHITE** application form(s), **YELLOW** application form(s), **GREEN** application form(s), and **PINK** application form(s) or where the context so requires, any of them which is used in relation to the Public Offer
''Articles'' or ''Articles of Association''	the articles of association of our Company, conditionally adopted on 11 June 2013, and as amended from time to time
''associate(s)''	has the meaning ascribed thereto under the Listing Rules
''Board''	the board of Directors
''BVI''	British Virgin Islands
''CAGR''	compound annual growth rate
''Capitalisation Issue''	the issue of 149,990,000 Shares made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed ''A. Further Information About Our Group — 4. Written Resolutions of Our Shareholders'' in Appendix V to this prospectus
''Cayman Share Registrar''	Appleby Trust (Cayman) Ltd., the Cayman Islands share registrar of our Company
''CCASS''	the Central Clearing and Settlement System established and operated by HKSCC
''CCASS Clearing Participant''	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
''CCASS Custodian Participant''	a person admitted to participate in CCASS as a custodian participant

''CCASS Investor Participant''	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
''CCASS Participant''	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
''Chung Nam Fashion''	Chung Nam Fashion Limited, a company incorporated in the BVI with limited liability on 17 July 2001 whose issued share capital is owned by Mr. H. S. Chong, Mr. H. H. Chong and Mr. Charles Chong in equal shares
''Clarks''	a footwear brand, supplied to our Group by C&J Clark
''CN Fashion''	CN Fashion Limited, a company incorporated in the Cayman Islands with limited liability on 12 October 2007 of which KTS International is a majority shareholder
''Cobblers''	Cobblers Limited, a company incorporated in Hong Kong with limited liability on 17 April 2000 and a wholly-owned subsidiary of Grand Asian
''Companies Law''	Companies Law (as revised) of the Cayman Islands, as amended, consolidated or otherwise modified from time to time
''Companies Ordinance''	Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
''Company'' or ''our Company''	S. Culture International Holdings Limited（港大零售國際控股有限公司）, an exempted company incorporated in the Cayman Islands with limited liability on 17 December 2012
''Connected person(s)''	has the meaning ascribed thereto under the Listing Rules
''Controlling Shareholder(s)''	has the meaning ascribed thereto under the Listing Rules, and in the context of our Company, means Mr. H. S. Chong, Mr. H. H. Chong, Mr. Charles Chong, Mr. Chu and KTS International
''Cotteen Marketing''	Cotteen Marketing Limited （歌緹有限公司）, a company incorporated in Hong Kong with limited liability on 26 November 1996 and a wholly-owned subsidiary of Grand Asian before the Reorganisation
''C&J Clark''	C&J Clark International Limited, a company incorporated in England, the largest supplier of footwear products of our Group during the Track Record Period and an Independent Third Party

''Deed of Indemnity''	the deed of indemnity dated 27 June 2013 and entered into between the Controlling Shareholders and our Company, particulars of which are set out in the section headed ''E. Other Information — 1. Estate duty, tax and other indemnities'' in Appendix V to this prospectus
''Deed of Non-competition''	the deed of non-competition undertakings dated 27 June 2013 and entered into by the Controlling Shareholders and our Company (for itself and as trustee in trust for other members of our Group)
''Director(s)'' or ''our Director(s)''	director(s) of our Company
''Eligible Employee(s)''	all full-time employee(s) of our Group who joined our Group on or before the Latest Practicable Date (other than the chief executive or directors of our Company or its subsidiaries, existing beneficial owners of Shares or any of their respective associates and any other connected persons of our Company) and satisfy the criteria in the section headed ''How to Apply for Public Offer Shares and Employee Reserved Shares — Channels of Applying for the Public Offer Shares — Who Can Apply for Public Offer Shares'' in this prospectus
''Employee Preferential Offering''	the offer of the Employee Reserved Shares to the Eligible Employees for subscription at the Offer Price as described in the section headed ''Structure and Conditions of the Global Offering — Employee Preferential Offering'' in this prospectus
''Employee Reserved Shares''	the 500,000 Public Offer Shares (representing 1% of the Offer Shares available under the Global Offering) offered under the Employee Preferential Offering and which are to be allocated out of the Public Offer Shares
''Euromonitor''	Euromonitor International (Asia) Pte Ltd., an independent market research firm from which we have purchased the reports in relation to the footwear industry
''Global Offering''	the International Placing and the Public Offer
''Grand Asian''	Grand Asian Limited（德強有限公司）, a company incorporated in Hong Kong with limited liability on 23 November 1995 and a wholly-owned subsidiary of Grandasian Retail
''Grandasian Retail''	Grandasian Retail (BVI) Holdings Limited, a company incorporated in the BVI with limited liability on 13 December 2012 and a wholly-owned subsidiary of our Company

''**GREEN** Application Form(s)''	the application form(s) to be completed by the **HK eIPO White Form** Service Provider
''Group'' or ''Our Group'' or ''we'' or ''our'' or ''us''	our Company and its subsidiaries, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries
''**HK eIPO White Form**''	the application for the Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.hkeipo.hk**
''**HK eIPO White Form** Service Provider''	the **HK eIPO White Form** service provider designed by our Company, as specified on the designated website at **www.hkeipo.hk**
''HKFRS''	Hong Kong Financial Reporting Standards
''HKSCC''	Hong Kong Securities Clearing Company Limited
''HKSCC Nominees''	HKSCC Nominees Limited
''Hong Kong'' or ''HK''	the Hong Kong Special Administrative Region of the People's Republic of China
''Hong Kong Share Registrar''	Tricor Investor Services Limited, the Hong Kong branch share registrar of our Company
''Independent Third Parties''	persons or companies which are independent of and not connected with any of the connected persons of our Company, and an ''Independent Third Party'' means any of them
''International Placing''	the conditional placing of the International Placing Shares at the Offer Price with professional, institutional and other investors by the International Placing Underwriters on behalf of our Company as described in the section headed ''Structure and Conditions of the Global Offering'' in this prospectus
''International Placing Shares''	the 45,000,000 Offer Shares initially being offered for subscription at the Offer Price under the International Placing together with, where relevant, any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option, but subject to the adjustment as described in the section headed ''Structure and Conditions of the Global Offering'' in this prospectus

''International Placing Underwriters''	the underwriters of the International Placing
''International Placing Underwriting Agreement''	the underwriting agreement in relation to the International Placing expected to be entered into on the Price Determination Date between our Company, our executive Directors, our Controlling Shareholders, the Sole Global Coordinator, the Sole Sponsor and the International Placing Underwriters
''Josef Seibel''	a footwear brand, supplied to our Group by Josef Seibel GmbH
''Josef Seibel GmbH''	Josef Seibel Schuhfabrik GmbH, a company incorporated in Germany, one of the suppliers of footwear products of our Group during the Track Record Period and an Independent Third Party
''Ka & Ka''	Ka & Ka S.p.a, a company incorporated in Italy, one of the suppliers of footwear products of our Group during the Track Record Period and an Independent Third Party
''Kong Tai Sundry Goods''	Kong Tai Sundry Goods Company Limited（港大百貨有限公司）, a company incorporated in Hong Kong with limited liability on 26 July 1974 and a wholly-owned subsidiary of KTSG
''Kong Tai Sundry Goods (Taiwan)''	香港商港大有限公司台灣分公司 (Kong Tai Sundry Goods Company Limited (Taiwan Branch)), a branch office of Kong Tai Sundry Goods established in Taiwan on 29 June 2010
''KTS International''	KTS International Holdings Inc., a company incorporated in the BVI with limited liability on 26 January 1993, the majority of the issued share capital of which is owned by Mr. H. S. Chong and Mr. Chu, and is a Controlling Shareholder
''KTS Properties''	KTS Properties Holdings Limited, a company incorporated in the BVI with limited liability on 13 December 2012 and a wholly-owned subsidiary of KTSG
''KTSG''	Kong Tai Sundry Goods (BVI) Company Limited, a company incorporated in the BVI with limited liability on 13 December 2012 and a wholly-owned subsidiary of our Company
''Latest Practicable Date''	22 June 2013, being the latest practicable date for ascertaining certain information in this prospectus prior to the printing of this prospectus
''Listing''	listing of the Shares on the Main Board

''Listing Date''	the date on which dealings of the Shares on the Main Board first commence, which is expected to be on Thursday, 11 July 2013
''Listing Rules''	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time
''Macau''	the Macau Special Administrative Region of the People's Republic of China
''Main Board''	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
''Memorandum'' or ''Memorandum of Association''	the memorandum of association of our Company, conditionally adopted on 11 June 2013 and as amended from time to time
''Mr. Charles Chong''	Mr. Chong Hok Hei, Charles, a Controlling Shareholder and a non-executive Director
''Mr. Chu''	Mr. Chu Siu Ming, a Controlling Shareholder, an executive Director and the Vice Chairman of our Board
''Mr. Dominic Chu''	Mr. Chu Chun Ho, Dominic, an executive Director
''Mr. H. H. Chong''	Mr. Chong Hot Hoi, a Controlling Shareholder, a non-executive Director and the Chairman of our Board
''Mr. H. S. Chong''	Mr. Chong Hok Shan, a Controlling Shareholder
''Mr. Haeta Chu''	Mr. Chu Chun Wah, Haeta, an executive Director
''Offer Price''	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) under the Global Offering which is expected to be determined as further described in the section headed ''Structure and Conditions of the Global Offering — Determining the Offer Price'' in this prospectus
''Offer Shares''	the Public Offer Shares and the International Placing Shares, together with, where relevant, any additional Shares issued pursuant to the exercise of the Over-allotment Option

''Over-allotment Option''	the option expected to be granted by our Company to the Sole Global Coordinator subject to the terms and conditions of the International Placing Underwriting Agreement pursuant to which our Company may be required to allot and issue up to an aggregate of 7,500,000 additional Offer Shares (representing 15% of the initial number of the Offer Shares) to cover, among other things, over-allocations in the International Placing, particulars of which are set out in the section headed ''Structure and Conditions of the Global Offering'' in this prospectus
''**Pink** Application Form(s)''	the application form(s) to be completed by our Eligible Employees in Hong Kong
''Pomeroy Group''	Pomeroy Group Limited, a company incorporated in the BVI with limited liability on 8 August 1996 whose issued share capital is owned by Mr. H. S. Chong, Mr. H. H. Chong and Mr. Charles Chong in equal shares
''PRC'' or ''China''	The People's Republic of China which, for the purpose of this prospectus, shall exclude Hong Kong, Macau and Taiwan
''Price Determination Date''	the date, expected to be on or around Friday, 5 July 2013 but no later than 12:00 noon on Monday, 8 July 2013, on which the Offer Price is fixed for the purpose of the Global Offering
''Public Offer''	the conditional offering by our Company of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus and the Application Forms
''Public Offer Shares''	the 5,000,000 Offer Shares initially being offered for subscription at the Offer Price in the Public Offer, subject to adjustment
''Public Offer Underwriters''	the underwriters of the Public Offer listed in the section headed ''Underwriting'' in this prospectus
''Public Offer Underwriting Agreement''	the underwriting agreement dated 27 June 2013 in relation to the Public Offer entered into between our Company, our executive Directors, our Controlling Shareholders, the Sole Global Coordinator, the Sole Sponsor and the Public Offer Underwriters

''Reorganisation''	the reorganisation arrangements undergone by our Group in preparation for the Listing, which are more particularly described in the section headed ''History, Reorganisation and Group Structure'' in this prospectus
''Retail Outlets''	retail outlets, including both self-rented shops, concessions within department stores and shopping malls, which are self-operated by our Group
''S. Culture BVI''	S. Culture Holdings (BVI) Limited, a company incorporated in the BVI with limited liability on 18 December 2012 and a wholly-owned subsidiary of our Company
''SFC''	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 Option Scheme''	the share option scheme approved and adopted by our Company on 11 June 2013, a summary of the principal terms of which is set forth in the section headed ''D. Share Option Scheme'' in Appendix V to this prospectus
''Shares''	ordinary shares of our Company with a nominal value of HK$0.01 each
''Shoe Mart Company''	Shoe Mart Company Limited, a company incorporated in Hong Kong with limited liability on 18 January 2005 and a wholly-owned subsidiary of Grand Asian
''Shoes Culture''	Shoes Culture Company Limited（鞋文化有限公司）, a company incorporated in Macau with limited liability on 19 May 2004 whose issued share capital is owned by Grand Asian and Cobblers in equal shares
''Sole Global Coordinator'', ''Sole Bookrunner'', ''Sole Lead Manager'' or ''RHB OSK Securities''	RHB OSK Securities Hong Kong Limited, a licensed corporation under the SFO permitted to engage in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities
''Sole Sponsor'' or ''RHB OSK Capital''	RHB OSK Capital Hong Kong Limited, a licensed corporation under the SFO permitted to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

''Stock Borrowing Agreement''	the stock borrowing agreement to be entered into between KTS International and the Sole Global Coordinator, pursuant to which the Sole Global Coordinator may borrow up to 7,500,000 Shares from KTS International to cover any over-allocations in the International Placing
''Streetcars''	a footwear brand, supplied to our Group by Streetcars, Inc.
''Streetcars, Inc.''	Streetcars, Inc., one of the suppliers of footwear products of our Group during the Track record Period and an Independent Third Party
''Stock Exchange''	The Stock Exchange of Hong Kong Limited
''substantial shareholder(s)''	has the meaning ascribed thereto under the Listing Rules
''Takeovers Code''	the Code on Takeovers and Mergers of Hong Kong
''The Flexx''	a footwear brand, supplied to our Group by Ka & Ka
''Track Record Period''	the three financial years ended 31 December 2012
''UK GAAP''	generally accepted accounting principles in the United Kingdom
''Underwriters''	the Public Offer Underwriters and the International Placing Underwriters
''Underwriting Agreements''	the Public Offer Underwriting Agreement and the International Placing Underwriting Agreement
''United Overseas Sundry Goods''	海聯興業股份有限公司 (United Overseas Sundry Goods Co., Ltd.), a company established in Taiwan with limited liability on 4 September 1986 and dissolved on 30 July 2012
''United States'' or ''U.S.'' or ''US''	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
''Yukon S.L.''	Yukon S.L. a company incorporated in Spain, one of the suppliers of footwear products of our Group during the Track Record Period and an Independent Third Party
''Yokono and/or Yokono K''	a footwear brand, supplied to our Group by Yukon S.L.
''GBP''	Pound sterling, the lawful currency of United Kingdom

''HK$'' or ''HK dollars'' or ''cents''	Hong Kong dollars and cents, the lawful currency of Hong Kong
''MOP'' or ''Pataca''	Macau Pataca, the lawful currency of Macau
''MYR''	Malaysian Ringgit, the lawful currency of Malaysia
''NT$''	New Taiwan dollars, the lawful currency of Taiwan
''US$'' or ''U.S. dollars'' or ''US dollars''	United States dollars, the lawful currency of the United States
''sq.ft.''	square feet
''%''	per cent.

The English names of the PRC or Taiwan entities mentioned in this prospectus are translations from their Chinese names. If there is any inconsistency, the Chinese names shall prevail.

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus are as at the date of this prospectus.

For the purpose of illustration only and unless otherwise specified in this prospectus, amounts denominated in GBP, MOP, NT$ and US$ have been translated into HK$ at the following rates of GBP1.0000 = HK$12.1070, HK$1.0000 = MOP1.0315, HK$1.0000 = NT$3.8103, US$1.0000 = HK$7.7450. No representation is made that the GBP, MOP, NT$ and US$ 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 our Company assume no exercise of the Over-allotment Option.

This glossary contains explanations of certain terms used in this prospectus in connection with us and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

''ASP''	average selling price
''authorised territories''	countries or cities where we are authorised under the relevant distribution agreements to sell and distribute the products
''CAGR''	compound annual growth rate
''CCTV''	closed-circuit television
''concessions''	the concession counters or retail areas operated or occupied by our Group in various department stores or shopping malls in Hong Kong, Taiwan or Macau on a concessionary basis where the sale receipts of our Group are generally collected by the operators of the department stores or shopping malls and settled with our Group subsequently
''FY2010''	the financial year ended 31 December 2010
''FY2011''	the financial year ended 31 December 2011
''FY2012''	the financial year ended 31 December 2012
''international brands''	brands owned by Independent Third Parties which are originated from overseas, and the products of which are sold to us for distribution through our Retail Outlets in the authorised territories
''licensed brands''	brands owned by Independent Third Parties and authorised to be used by our Group pursuant to the terms of the relevant distribution agreements
''POS''	point of sales
''self-rented shops''	units, stores or shops leased by our Group to conduct retail activities where we collect the sale receipts by ourselves
''SKUs''	stock keeping units, referring to individual inventory items classified by their models, colours and sizes
''VIP''	very important person

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. The business, financial condition or results of operations of our 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 OUR BUSINESS

We are heavily dependent on C&J Clark and the distribution agreements with our suppliers in relation to our branded footwear products

We have entered into distribution agreements with various suppliers, including C&J Clark, to use their respective brands as well as to sell and market their footwear products in Hong Kong and other territories. Such distribution agreements are renewable subject to certain conditions and requirements, such as minimum purchase and minimum new outlet requirements every year. The terms of the distribution agreements range from a period of four years to a period of 10 years and one month and our distribution agreement with C&J Clark will expire on 31 December 2017. The distribution agreements are subject to early termination if we fail to meet or adjust these requirements upon negotiation with suppliers or fail to perform the contractual obligations.

During the Track Record Period, we derived a substantial part of our revenue from the sales of Clarks branded products. The aggregate revenue from the sales of Clarks branded products accounted for approximately 80.9%, 84.8%, 80.0% and 77.8% of our total revenue for the three years ended 31 December 2012 and five months ended 31 May 2013, respectively; whereas our gross profit margins on the sales of Clarks branded footwear products was approximately 59.5%, 65.2%, 65.7% and 68.7% for the same periods. The aggregate turnover generated by Clarks and Clarks Originals specialty Retail Outlets accounted for approximately 29.2%, 33.8%, 32.5% and 30.0% of our Group's total turnover of retail operation for each of the three years ended 31 December 2012 and five months ended 31 May 2013. As at the Latest Practicable Date, 11 out of the 20 Retail Outlets operating under the trade name of Clarks and Clarks Originals were subject to the restriction of selling Clarks branded footwear products only under their respective leases/concession agreements. If our agreements with C&J Clark have been terminated, we will have to suspend the operation of such specialty Retail Outlets. If we are unable to obtain the consents from the respective landlords to change the usage of the self-rented shop/concession, in which our sales generate through such channels, our revenue will be reduced significantly. In the event of early termination of such leases/concession agreements, we may have to pay penalty to and rental deposits paid under such leases/concession agreements may be forfeited by the respective landlords. We may also incur costs for relocation including certain fixed assets in such Retail Outlets would have to be written off. The profitability of our business may therefore be materially and adversely affected. Our success therefore depends significantly on our ability to sell products under this brand. Negative publicity or disputes in Hong Kong or relevant jurisdictions about the Clarks brand or about our products could materially and adversely

affect public perception of the Clarks brand. Any impact on our ability to continue to sell products under this brand, or any significant damage to the images of this brand could materially and adversely affect our business, financial position and results of operations.

There is no assurance that the suppliers will be satisfied with our performance under the distribution agreements, or the suppliers will not attempt to terminate the distribution agreements or to seek damages from us as a result of different interpretation of major terms of the distribution agreements or for other reasons, or that we will be able to renew the distribution agreements on the same or similar terms which are not less favourable, or at all. If the distribution agreements are terminated or if we fail to renew any of them upon their expiration, we will be unable to continue the sale of footwear products under the distribution agreements, and our business, financial position and results of operations will be materially and adversely affected.

We are subject to inventory fluctuation and our inventory may become obsolete

Our average inventory turnover days were approximately 229.4 days, 192.0 days and 225.5 days for the three years ended 31 December 2012, respectively. As at 31 December 2010, 31 December 2011 and 31 December 2012, provisions for obsolete inventories amounted to approximately HK$1.8 million, HK$7.0 million and HK$2.4 million, respectively, were applied against the inventory balances. Our provision for obsolete inventories increased from approximately HK$1.8 million as at 31 December 2010 to HK$7.0 million as at 31 December 2011, as our management considered the marketability of the pertaining SKUs to be low. We operate in an industry that has constantly shifting market trends and it is not unlikely for us to encounter a sudden decrease in the market demand of our products. Any such unanticipated drop in our sales could cause our inventory to accumulate, and may adversely affect our financial position and results of operations.

As we lease all of the properties on which our Retail Outlets operate, we are exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs

We lease all the properties on which our Retail Outlets operate. Occupancy costs account for a significant portion of our operating expenses. For the three years ended 31 December 2012, our property rentals and related expenses (excluding our headquarters and warehouses) amounted to approximately HK$91.8 million, HK$121.0 million and HK$158.4 million, respectively, representing approximately 30.1%, 30.0% and 35.8% of our Retail Outlets revenue during the respective years. Our Directors believe that, generally, rental costs for premises that are suitable for our Retail Outlets in Hong Kong will continue to increase. There is no objective way to precisely predict the rate of increase in the commercial real estate rental market, and our substantial operating lease obligations expose us to potentially significant risks, including increasing our vulnerability to adverse economic conditions, limiting our ability to obtain additional financing and reducing our cash available for other purposes.

If we are unable to anticipate and respond to customer preferences and fashion trends, we may not be able to maintain or increase our sales and earnings

The footwear industry is subject to rapidly changing consumer demand and fashion trends. Our products appeal to a broad range of consumers, and success of both our wholesale and retail operations depends largely on our ability to anticipate, understand and react to changing consumer demand and preferences. Our sales of footwear brands are also subject to rapid changes in footwear technology, the availability of high quality endorsers and the possibility of negative expert opinions on the unique technologies and designs of our performance footwear brands. If we fail to successfully anticipate and respond to changes in consumer demand and fashion trends, introduce new products and designs and implement effective, responsive merchandising and marketing strategies and programs, we could experience lower sales, excess inventories and lower gross margins. Such could have an adverse effect on our results of operations and financial position.

Changes in relationships with any of our key suppliers may have an adverse impact on future results

Our business is significantly dependent upon the ability to purchase footwear products of international brands at competitive prices from our suppliers. We expect to continue to obtain a significant percentage of our products from such suppliers in future periods. The inability to obtain products of international brands in a timely manner from major suppliers or any disruption in the supply chain or at a comparative price could have a material adverse effect on our business, financial position and results of operations.

We may not be able to effectively promote or develop our licensed brands

Brand image is an important factor which affects a customer's purchasing decision with respect to footwear products. To effectively promote our brands, we would have to be able to build and maintain the brand image by a variety of promotional and marketing activities, as well as expanding our retail network. There is no assurance that we will be able to effectively promote or develop these brands. If we fail to do so, the reputation of such brands may be undermined, and our results of operation may be adversely affected.

We compete with other retailers for quality locations in a highly competitive market for retail premises. If we cannot obtain desirable retail outlet locations or secure renewal of existing leases on commercially reasonable terms, our business, results of operations and ability to implement our growth strategy will be adversely affected

We compete with other retailers for prime locations in highly competitive markets for retail premises. There is no assurance that we will be able to enter into new lease agreements for prime locations or renew existing lease agreements on commercially reasonable terms.

Our lease agreements for the Retail Outlets typically have an initial term ranging from one to five year(s) and some contain an option for us to renew for an additional term. Many of our lease agreements provide that the rent will increase within the initial term or

after the initial term at a fixed rate or at the then prevailing market rate. In addition, several of our leases require us to pay an additional contingent rent, determined as a percentage of sales, as specified by the terms of the applicable lease agreement. Where we do not have an option to renew a lease agreement, we must negotiate the terms of renewal with the lessor, which may insist on a significant modification to the terms and conditions of the lease agreement. If a lease agreement is renewed at a rate substantially higher than the existing rate, or other existing favorable terms granted by the lessor, if any, are not extended, we must evaluate whether renewal on such modified terms is in our business interest. If we are unable to renew leases for the Retail Outlets, we will have to close or relocate the relevant Retail Outlet, which would eliminate the sales that the Retail Outlet would have contributed to our revenues during the period of closure, and could subject us to construction and other costs and risks. As at Latest Practicable Date for those retail outlets with leases to be expired in 2013 and 2014, the respective revenue generated in the year ended 31 December 2012 amounted to approximately HK$36.7 million and HK$118.0 million. Therefore, any inability to obtain leases for desirable Retail Outlet locations or renew existing leases on commercially reasonable terms could have a material adverse effect on our business and results of operations.

If our expansion plan proves to be unsuccessful, or if we fail to obtain sufficient funding for our expansion plans, our business and growth prospects may be adversely affected

For the three years ending 31 December 2013, 2014 and 2015, respectively, we expect to invest approximately HK$5.2 million, HK$9.2 million and HK$13.3 million for our expansion plan in Hong Kong, Taiwan and the PRC. Accordingly, in the event that our expansion plan proves to be unsuccessful, our overall cash flow position, as well as our profitability, may be materially and adversely affected. We may require additional cash resources to finance our continued growth or other future developments, including any investments we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the timing of our new Retail Outlet openings, investments in new Retail Outlets and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing by selling additional equity or debt securities or obtaining a credit facility.

Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, some of which are beyond our control, including general economic and capital market conditions, credit availability from banks or other lenders, investors' confidence in us, the performance of the footwear industry in general, and our operating and financial performance in particular. We cannot assure you that future financing will be available in amounts or on terms acceptable to us, if at all. In the event that financing is not available or is not available on terms acceptable to us, our business, results of operations and growth prospects may be adversely affected.

Opening of new Retail Outlets could result in fluctuations in our financial performance

Our operating results have been, and in the future may continue to be, influenced by the timing of opening of new Retail Outlets, including initially lower sales and higher operating costs, as well as changes in our geographic distribution due to the openings of new Retail Outlets. Our Group will also incur expenses before opening of new Retail Outlets such as rental expenses. Our progress in opening new Retail Outlets from period to period may also occur at an uneven rate. Accordingly, the number and timing of new Retail Outlet openings have, and may continue to have, a significant impact on our profitability. As a result, our results of operations may fluctuate significantly from year to year and comparison of different periods may not be meaningful. Our results for a given financial year are not necessarily indicative of results to be expected for any other financial year.

We recorded negative operating cash flow in 2012 and we cannot assure you that we will record positive operating cash flow in the future

We recorded negative operating cash flow of approximately HK$15.9 million in 2012, resulting from (i) operating cash inflow before movement in working capital of approximately HK$38.0 million; (ii) the net working capital outflow of approximately HK$45.9 million; and (iii) profit tax paid in the amount of approximately HK$8.0 million. The net working capital outflow primarily consisted of an increase in inventories, decrease in trade and other payables, an increase in rental deposits and trade and other receivables. We cannot assure you that we will record positive operating cash flow in our growth stage. Our liquidity and our operations may be adversely affected by our negative operating cash flow. For details of the indebtedness and liquidity, financial resources and capital structure of our Group, please refer to the section headed ''Financial Information - Liquidity and Capital Resources'' in this prospectus.

Information technology system failures or breaches of our network security could interrupt our operations and adversely affect our business

We rely on our computer systems and network infrastructure across our operations to monitor the daily operations of our Retail Outlets and to collect accurate up-to-date financial and operating data for business analysis. Any damage or failure of our computer systems or network infrastructure that causes an interruption in our operations could have a material adverse effect on our business and results of operations.

We also receive and maintain certain personal information about our customers when accepting credit cards or smart cards for payment. If our network security is compromised and such information is stolen or obtained by unauthorised persons or used inappropriately, we may become subject to litigation or other proceedings brought by cardholders and financial institutions that issue cards. Any such proceedings could distract our management from running our business and cause us to incur significant unplanned losses and expenses. Consumer perception of our brands could also be negatively affected by these events, which could further adversely affect our business and results of operations.

Our planned expansion into new markets in the PRC may not be successful

We plan to open new Retail Outlets in certain regions in the PRC where we have little or no operating experience, including Shanghai, the PRC. The markets in the PRC which we target may have different business environments, competitive conditions, consumer preferences and discretionary spending patterns from our existing markets. As a result, any new Retail Outlets which we open in those markets may be less successful than Retail Outlets in our existing markets. Consumers in the new markets may not be familiar with our brand and we may need to build brand awareness in such markets. We may find it more difficult in new markets to hire, train and retain qualified employees who share our business philosophy and culture.

Retail Outlets to be opened in new markets may also have lower average sales or higher construction, occupancy or operating costs than those in our existing markets. Sales at Retail Outlets opened in new markets may take longer than expected to ramp up and reach, or may never reach, expected sales and profit levels. Any inability to replicate or successfully adapt our business model to local conditions may affect the profitability of these Retail Outlets. Any inability to execute our expansion plans for the PRC market could adversely affect our business, growth, financial position and results of operations.

If we are unable to manage our growth effectively, we may not be able to capitalise on new business opportunities and our business and results of operation may be materially and adversely affected

We have increased the number of our Retail Outlets from 82 as at 31 December 2010 to 102 as at 31 December 2012. We plan to continue to expand our operations by entering into new markets and increasing penetration of existing markets. Our expansion may place substantial demands on our management and our operational, technological, financial and other resources. Our planned expansion will also place significant demand on us to maintain consistent service quality across a larger retail network and preserve our corporate culture across a larger and more diverse employee base.

To manage and support our growth, we must improve our existing operational and administrative systems as well as our financial and management controls. Our continued growth also depends on our ability to recruit, train and retain additional qualified management personnel as well as other administrative, sales and marketing personnel, particularly as we expand into new markets. We need to continue managing our relationships with our suppliers and customers. All of these endeavors will require substantial management attention and efforts and significant additional expenditures. We cannot assure you that we will be able to manage any future growth effectively and efficiently. Any failure to do so may materially and adversely affect our ability to capitalise on new business opportunities, which in turn may have a material adverse effect on our business and results of operation.

We may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees, customers or other third parties

As a footwear retailer, we usually receive and handle large amounts of cash in our daily operations. We are not aware of any instances of fraud, theft and other misconduct involving employees, customers and other third parties that had any material adverse impact on our business and results of operations during the Track Record Period and up to the Latest Practicable Date. We cannot assure you that there will not be any such instances in future. We may be unable to prevent, detect or deter all instances of misconduct. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business and results of operations.

We are heavily dependent on our key executives and personnel

Our future success will depend to a large extent on the continued efforts of our Directors and senior management. There is no assurance that these key executives or personnel will not voluntarily terminate their employment with our Group. The loss of any of our key executives or personnel could be detrimental to the ongoing success of our operations. Our continued success will also depend on our ability to attract and retain qualified personnel in order to manage our existing operations as well as our future growth. We may not be able to successfully attract, assimilate or retain the personnel they need and this could negatively impact our ability to expand effectively.

Our business could be adversely affected by difficulties in employee recruiting and retention

Our success depends in part upon our ability to attract, retain and motivate a sufficient number of qualified employees. We may not be able to successfully recruit, motivate and retain a sufficient number of employees with necessary qualifications at commercially reasonable costs, or at all. Our failure to have and retain enough qualified employees could delay planned new openings of Retail Outlets, or result in higher employee turnover, either of which could have a material adverse effect on our business and results of operations.

Our insurance policies may not provide adequate coverage for all claims associated with our business operations

For more details on our insurance policies, please refer to the section headed ‘‘Business — Insurance Coverage’’ in this prospectus. There are types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure, such as loss of reputation. If we were held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business and results of operations may be materially and adversely affected.

Our results of operations may fluctuate significantly from period to period due to seasonality and other factors

Our overall results of operations may fluctuate significantly from period to period because of various factors, including the timing of new Retail Outlet openings and the incurrence of associated pre-opening costs and expenses, operating costs for our newly opened Retail Outlets, any losses associated with our retail outlet closure and seasonal fluctuations. During the Track Record Period, we generally derived a higher amount of revenue during the summer seasons and certain holiday periods, such as the Chinese New Year holiday and Christmas holiday. Thus, our results of operations may fluctuate significantly from period to period and a comparison of different periods may not be meaningful. Our results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period.

We are exposed to foreign exchange risks

Payments made by our Group for settlement of purchases with suppliers are made in Hong Kong dollars, RMB, Euros and US dollars. Payment made by local or overseas customers of our Group are made in Hong Kong dollars, MOP and NT$ according to the applicable exchange rate when settlement is to be made. We have not used and at present do not intend to use any derivative instruments in foreign currency to hedge the risk against foreign currency exchange fluctuations. Accordingly, we are exposed to exchange rate fluctuations and such exposure may adversely affect the financial position of our Group.

Our historical financial and operating results may not be indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability

Our historical results may not be indicative of our future performance. Our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of the Shares to decline. Our revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control. You should not rely on our historical results to predict the future performance of our Shares.

Our historical dividends may not be indicative of our future dividends

We declared dividends of HK$1.4 million, HK$7.7 million and nil for the three years ended 31 December 2012. We cannot assure you that we will declare or pay dividends in the future, and potential investors should be aware that the amount of dividends that were declared and paid in the past should not be used as a reference or basis upon which future dividends will be determined. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant.

Events that disrupt our operations, such as fires, floods, or other natural or man-made disasters, or beyond our control, may materially and adversely affect our business operations

Our operations are vulnerable to interruption by fires, floods, typhoons, power failures and power shortages, hardware and software failures, computer viruses, terrorist attacks and other events beyond our control. Our business is also dependent on prompt delivery and transportation of our footwear products. Certain events, such as adverse weather conditions, natural disasters, severe traffic accidents and delays and labour strikes, could also lead to delayed or lost deliveries of footwear products to the Retail Outlets. Such may result in the loss of revenue. Fires, floods, earthquakes and terrorist attacks may lead to evacuations and other disruptions in our operations. Any such event could materially and adversely affect our business operations and results of operations.

We may experience an adverse change in our financial results for the year ending 31 December 2013 which is attributable to the listing expenses incurred in relation to the Global Offering

The total amount of listing expenses is estimated to be approximately HK$19.1 million (based on the mid-point of our indicative Offer Price range), of which an amount of approximately HK$11.1 million is expected to be capitalised after the Listing. The remaining amount of approximately HK$8.0 million was or is expected to be charged to our income statement, of which approximately HK$3.1 million and HK$1.7 million, were charged for the year ended 31 December 2012 and the three months ended 31 March 2013 respectively, and approximately HK$3.2 million is expected to be charged for the three months ended 30 June 2013 (assuming the Listing takes place on or before 30 June 2013). Such amount of listing expenses is a current estimate for reference only, and the final amount is subject to adjustment based on audit and changes in variables and assumptions. Our Directors expect that we may experience an adverse change in our financial results for the year ending 31 December 2013 which is attributable to this significant non-recurring item of listing expenses incurred in relation to the Global Offering.

RISKS RELATING TO OUR INDUSTRY

Changes in consumer spending patterns could materially affect our growth and profitability

We operate in a cyclical industry in which changes on economic conditions affect the level of consumer spending on our products. Consumer spending patterns are affected by, among other factors, business conditions, interest rates, taxation, local economic conditions, uncertainties about future economic prospects and shifts in discretionary spending towards other goods and services. Consumer preferences and economic conditions may differ or change from time to time in each market in which we operate. We cannot guarantee that we will be able to maintain our historical rates of growth, or remain profitable, particularly if the retail environment is stagnant or declines. A recession in the

general economy or uncertainties regarding future economic prospects could affect consumer spending habits and have a material adverse effect on our financial position and results of operations.

Increasing competition could result in pricing pressure and loss of market share

The footwear retail industry is highly competitive. Competition in this sector may increase because there are few barriers to entry. Our brands compete with local, national and global brands. Some of our competitors may have greater financial, marketing, management and other resources than we do. A number of different competitive factors could also have a material adverse effect on our results of operations.

We compete with other footwear retailers on the basis of variety and quality of our products, pricing of our products, and customer services we provide in connection with our product sales. We cannot assure you that our strategies will remain competitive or that they will continue to be successful in the future. Increasing competition could result in pricing pressure and loss of our market share, either of which could have a material adverse effect on our financial condition and results of operations.

RISKS RELATING TO HONG KONG

Minimum wage requirements in Hong Kong have further increased and impact our staff costs in the future

The salary level of employees in the retail industry in Hong Kong has been increasing in recent years. For the three years ended 31 December 2012, our staff costs amounted to approximately HK$60.9 million, HK$85.2 million and HK$82.2 million, respectively, representing approximately 16.6%, 18.0% and 16.3% of our total revenue during the respective years. Our operations in Hong Kong are required to comply with the statutory minimum wage requirements, which came into force on 1 May 2011. Since 1 May 2013, the statutory minimum wage rate increased from HK$28 per hour to HK$30 per hour. Our staff costs increase as a result of the higher statutory minimum wage rate in Hong Kong. Higher statutory minimum wage rate may increase competition for qualified employees, which may indirectly result in higher salaries of our employees. We may not be able to increase our prices enough to pass these increased staff costs onto our customers, in which case our business and results of operations would be materially and adversely affected.

The state of economy in Hong Kong may adversely affect our performance and financial condition

Hong Kong is our major market which accounted for approximately 90.4%, 78.3% and 77.9% of our revenue during the three years ended 31 December 2012. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.

Devaluation of the Hong Kong dollars could affect our financial conditions and results of operations

Since 17 October 1983, Hong Kong dollars have been pegged to the U.S. dollars at a rate of HK$7.80 to US$1.00. In the event that such arrangements shall change or the valuation of U.S. dollars shall become volatile in the international currency markets, valuation of Hong Kong dollars may be significantly affected or may even experience devaluation. At present, substantial part of our revenue is generated in the currency of Hong Kong dollars and part of our expenses and/or certain fitting-out materials imported from other countries is incurred in currencies other than Hong Kong dollars. In case of devaluation of Hong Kong dollars by whatever reason, our financial performance and liquidity positions may be adversely affected and our expenses incurred may drastically increase as a result.

RISK RELATING TO TAIWAN

Taiwan is susceptible to natural disasters that could disrupt the normal operations of our business and adversely affect earnings

We maintain a branch office in Taiwan. Taiwan is susceptible to earthquakes. In last decade, Taiwan experienced severe earthquakes that caused significant property damage and loss of life, particularly in the central part of Taiwan. These earthquakes caused damage to manufacturing facilities and adversely affected the operations of many companies. There is no assurance that future earthquakes will not occur and result in major damages to our facilities, which could have a material adverse effect on our results of operations and financial position.

Taiwan is also susceptible to typhoons, which may cause damage and business interruption to companies with facilities located in Taiwan. In last decade, Taiwan experienced severe damage from typhoons, including a typhoon that caused over 100 deaths, severe flooding and extensive damage to properties and businesses. There is no assurance that we will not suffer damage or business interruption due to typhoons, or that our results of operations or financial position will not be adversely affected as a result.

There are currency conversion and exchange rate risks associated with NT$

Under the Statute for Investment by Foreign Nationals of Taiwan, a qualified foreign investor may apply for exchange settlement in respect of the net interest and profits accrued on its investment through the licensed banks authorised to conduct foreign exchange transactions without the need for prior approvals from ROC Central Bank of China. However, under the Rules Regarding the Application of Outward Remittance, such foreign investors must make an application accompanied by other relevant documents to a licensed bank before effecting any foreign exchange transaction which exceeds NT$500,000. There is no assurance that the laws and regulations in Taiwan relating to currency conversion will remain unchanged. Any adverse change in the currency conversion policy or currency exchange rate of NT$ may adversely affect the profitability of our Group.

Changes in Taiwan's political and economic conditions could affect our business, financial position and results of operations

The performance of our Group may be affected by uncertainties such as changes in the government in Taiwan or its policies regarding investment, taxation and the restrictions on currency repatriation and other developments in the laws and regulations of Taiwan. Each of the government in Taiwan and the PRC claims to be the only legitimate government for Taiwan. There can be no guarantee that the PRC will not use forcible means, which it has refused to forego, to gain control of Taiwan. Our business in Taiwan may be affected by other political or diplomatic uncertainty or developments, social instability, inflation and other considerations.

RISK RELATING TO MACAU

Conducting business in Macau involves certain economic and political risks

Part of our business operations is in Macau. Conducting business in Macau involves certain risks, including risks relating to changes in Macau's and the PRC's political, economic and social conditions, changes in Macau governmental policies, changes in Macau laws or regulations or their interpretation, changes in exchange control regulations, potential restrictions on foreign investment and repatriation of capital, measures that may be introduced to control inflation, such as interest rate increases, and changes in the rates or method of taxation. In addition, our operations in Macau are exposed to the risk of changes in laws and policies that govern operations of Macau-based companies.

Our business could be affected by the limitations of the MOP exchange market

Part of our revenue from Macau is denominated in MOP, the lawful currency of Macau. We cannot assure you that the MOP will continue to be freely exchangeable into Hong Kong dollars. As the currency market for MOP is relatively small and undeveloped, our ability to convert large amounts of MOP into Hong Kong dollars over a relatively short period may be limited. Thus, we may experience difficulty in converting MOP into Hong Kong dollars.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for the Shares and the liquidity and market price of the Shares may be volatile

Prior to the Global Offering, no public market for the Shares existed. We have made an application to the Stock Exchange for the listing and trading of the Shares. There is no assurance that the Listing will result in the development of an active, liquid public trading market for the Shares after the Global Offering. In addition, the price and trading volume of the Shares may be volatile since factors such as variations in our Group's revenues, earnings and cash flows or any other developments, whether due to seasonal sales fluctuations or for any other reasons, may affect the volume and price at which the Shares will be traded.

Current volatility in the global financial markets could cause significant fluctuations in the price of the Shares

Financial markets around the world have been experiencing heightened volatility since 2008. Upon the Listing, the price and trading volume of the Shares may be subject to similar market fluctuations which may be unrelated to our operating performance or prospects. Factors that may significantly impact the volatility of our stock price include:

- developments in our business or in the financial sector generally, including the effect of direct governmental actions in the financial markets;
- the operating and share price performance of companies that investors consider to be comparable to us;
- announcements of strategic developments, acquisitions and other material events by us or our competitors; and
- changes in global financial markets, global economies and general market conditions, such as interest or foreign exchange rates as well as stock and commodity valuations and volatility.

As a result of these market fluctuations, the price of the Shares may decline significantly, and you may lose a significant part of your investment.

Future issues, offers or sale of Shares may adversely affect the prevailing market price of the Shares

Future issues of securities by our Company or the disposal of Shares by any of the Controlling Shareholders or the perception that such issues or sale may occur, may negatively impact the prevailing market price of the Shares. The Shares held by the Controlling Shareholders are subject to certain lock-up undertakings for periods commencing on the date of this prospectus and up to 12 months after the Listing Date. We cannot give any assurance that the Controlling Shareholders will not dispose of their Shares in the future.

Certain facts and statistics from official sources contained in this prospectus have come from third party publications and publicly available sources whose reliability cannot be assumed or assured

This prospectus contains information and statistics that are derived from various publicly available official government and other publications and generally believed to be reliable. We cannot guarantee the quality and reliability of these publications. Whilst our Directors and the Sole Sponsor have taken reasonable care to ensure that such facts and statistics in this prospectus are accurately reproduced, these facts and statistics have not been independently verified by us. Our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors and advisers or any other parties involved in the Global Offering do not make any representation as to the accuracy of such facts and statistics, which may not be consistent with other information and may not be

complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics in this prospectus may be inaccurate or may not be comparable from period to period to facts and statistics produced for other economies and should not be unduly relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

Investors may experience difficulties in enforcing their shareholder rights because our Company was incorporated in the Cayman Islands, and the laws of the Cayman Islands relating to the protection of the interests of minority Shareholders may be different from those in Hong Kong or other jurisdictions

Our Company was incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. Minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. Please refer to Appendix IV to this prospectus.

You will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

We may need to raise additional funds in the future to finance our future plans, whether in relation to existing operations, expanding points of sale or otherwise. If additional funds are raised through the issuance of our new equity or equity-linked securities other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of our existing Shareholders may be reduced, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

Purchasers of Offer Shares may incur an immediate and substantial dilution in net tangible book value per Share as a result of the Global Offering

The Offer Price of the Offer Shares is substantially higher than the net tangible book value per Share. Therefore, purchasers of the Offer Shares in the Global Offering may experience an immediate and substantial dilution in net tangible book value per Share as a result of the Global Offering.

We have included in this prospectus forward-looking statements that state our intentions, beliefs, expectations or predictions for the future, in particular, under the sections headed ''Summary'', ''Business'', ''Future Plans and Use of Proceeds'' and ''Financial Information''.

In some cases, we use words such as ''intend'', ''anticipate'', ''believe'', ''consider'', ''estimate'', ''expect'', ''may'', ''plans'', ''prospects'', ''will'', ''intend'' and similar expressions to identify forward-looking statements. All statements other than statements of historical facts included in this prospectus, including statements regarding our strategy, projected costs and plans and objects of management for future operations, are forward-looking statements. We give no assurance that those expectations will prove to be correct, and you are cautioned not to place undue reliance on such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in this section and elsewhere in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business; and
- the actions and developments of our competitors.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. All forward-looking statements contained in this prospectus are qualified by this cautionary statement.

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

The following information is provided for guidance only. Prospective applicants for the 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 should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable laws in the countries of their respective citizenship, residence and domicile.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes 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 purposes of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in this prospectus misleading.

INFORMATION ABOUT THIS PROSPECTUS

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the tax implications of subscription for, purchasing, holding, disposing of and dealing in our Shares. It is emphasised that none of our Group, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of our or their respective directors, agents or advisors or any other person involved in the Global Offering accepts responsibility for the tax effects or liabilities resulting from your subscription for, purchase, holding, disposal of, or, dealing in our Shares.

ROUNDING

In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the

nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

INFORMATION ABOUT THE GLOBAL OFFERING

Issuer	S. Culture International Holdings Limited.
Number of Offer Shares under the Global Offering	Global Offering of initially 50,000,000 new Shares (excluding the Shares to be offered pursuant to the exercise of the Over-allotment Option) comprising (i) Public Offer of initially 5,000,000 new Shares (subject to adjustment) and (ii) International Placing of initially 45,000,000 new Shares (subject to adjustment and excluding the Shares to be offered pursuant to the exercise of the Over-allotment Option).
Employee Preferential Offering	Approximately 10% of the number of Offer Shares initially available under the Public Offer.
Offer Price range	HK$1.51 per Share to HK$2.13 per Share.
Over-allotment Option	Up to 7,500,000 additional new Shares to be offered by our Company.
Lock-up undertakings by our Controlling Shareholders	Please refer to the section headed ''Underwriting — Underwriting Arrangements and Expenses — Undertakings'' in this prospectus.
Dividend policy	Subject to certain limitations, we currently intend to pay dividends of approximately 20% to 60% of our profits available for distribution. There can be no assurance that in any given year a dividend will be proposed or declared. Please refer to the section headed ''Financial Information — Dividends and Dividend Policy'' in this prospectus.
Voting rights	Each Share entitles its holder to one vote at our Shareholders' meeting. Please refer to Appendix IV to this prospectus.

Stamp duty

Dealings in the Shares registered in our Hong Kong branch register will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

Application for the Listing on the Stock Exchange

We have 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 any new Shares to be issued pursuant to the exercise of the Over-allotment Option), the Capitalisation Issue and the Share Option Scheme. No part of our share or loan capital of our Company is listed on or dealt in on any other stock exchange nor is there at present any proposal to do so.

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 Offer 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 us by the Stock Exchange.

Restrictions on offers and sale of the Offer Shares

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than 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 circumstance 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 Offer Shares are offered to the public in Hong Kong for subscription or acquisition solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, the Sole Sponsor, any of their respective directors or any other parties involved in the Global Offering.

Each person acquiring the Offer Shares will be required to, or be deemed by his/her/its acquisition of Offer Shares, to confirm that he/she/it is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he/she/it is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

Prospective applicants of the 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 of the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

Fully underwritten

The Global Offering comprises the International Placing and the Public Offer. Please refer to the section headed ''Structure and Conditions of the Global Offering'' in this prospectus. This prospectus is published in connection with the Global Offering and, together with the related Application Forms, set out the terms and conditions of the Global Offering.

The Global Offering is sponsored by the Sole Sponsor, and the Public Offer is fully underwritten by the Public Offer Underwriters and the International Placing is expected to be fully underwritten by the International Placing Underwriters. The Global Offering is subject to our Company and the Sole Global Coordinator (on behalf of the Underwriters) agreeing on the Offer Price. Please refer to the section headed ''Underwriting'' in this prospectus.

Price Determination Date

On or around Friday, 5 July 2013, in any event not later than 12:00 noon on Monday, 8 July 2013. If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (on behalf of the Underwriters) on the Price Determination Date, the Global Offering will not become unconditional and will lapse.

Eligibility for CCASS	Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and compliance of the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day (as defined in the Listing Rules) after any trading day. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests. All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.
Register of members	Our Company's principal register of member will be maintained by the Cayman Share Registrar and our Company's Hong Kong branch register of members will be maintained by the Hong Kong Share Registrar. All Shares offered under the Global Offering will be registered in our Company's Hong Kong branch register of members.
Procedures for application for the Public Offer Shares	Please refer to the section headed ''How to Apply for Public Offer Shares and Employee Reserved Shares'' in this prospectus.
Conditions of the Global Offering	Please refer to the section headed ''Structure and Conditions of the Global Offering'' in this prospectus.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Chu Siu Ming (朱兆明)	Flat B, G/F Block 2, Wing On Towers No.7–9, Boyce Road Jardine's Lookout, Hong Kong	Chinese
Mr. Chu Chun Ho, Dominic (朱俊豪)	Flat B, G/F Block 2, Wing On Towers No.7–9, Boyce Road Jardine's Lookout, Hong Kong	Chinese
Mr. Chu Chun Wah, Haeta (朱俊華)	Flat B, G/F Block 2, Wing On Towers No.7–9, Boyce Road Jardine's Lookout, Hong Kong	Chinese
Non-executive Directors		
Mr. Chong Hot Hoi (莊學海)	Flat B1, 5/F, Villa Monte Rosa 41A Stubbs Road Hong Kong	Chinese
Mr. Chong Hok Hei, Charles (莊學熹)	Flat 46D, Tower 3 Tregunter 14 Tregunter Path Mid-levels, Hong Kong	Chinese
Mr. Yu Fuk Lun (余福倫)	Flat H, 12/F, Block 1, Willow Mansion Whampoa Gardens, Hung Hom Kowloon, Hong Kong	Chinese
Independent non-executive Directors		
Mr. Wan Kam To (尹錦滔)	23A, The Colonnade 152 Tai Hang Road Hong Kong	Chinese
Mr. Yau Tat Wang, Dennis (邱達宏)	6F, Woodland Gardens 62F Conduit Road, Hong Kong	British
Mr. Lam Man Tin (林文鈿)	10B, 10/F, Tower 25 Laguna Verde, Hunghom Kowloon, Hong Kong	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	RHB OSK Capital Hong Kong Limited 12th Floor World-Wide House 19 Des Voeux Road Central Hong Kong
Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager	RHB OSK Securities Hong Kong Limited 12th Floor World-Wide House 19 Des Voeux Road Central Hong Kong
Legal advisers to our Company	*as to Hong Kong law:* Wilkinson & Grist 6th Floor, Prince's Building 10 Chater Road Hong Kong *as to Taiwan law:* Lee, Tsai & Partners Attorneys-at-Law 9F, 218 Tun Hwa S. Road, Sec. 2 Taipei 106, Taiwan, R.O.C. *as to Macau law:* MdME | Lawyers | Private Notary Alm. Dr. Carlos d'Assumpção, 180, Edf. Tong Nam Ah, 16° R-T, Macau *as to Cayman Islands law:* Appleby 2206–19 Jardine House 1 Connaught Place Central, Hong Kong *as to PRC law:* Jun He Law Offices 32/F, Shanghai Kerry Centre 1515 Nanjing Road West Shanghai 200040 PRC

Legal advisers to the Sole Sponsor and the Underwriters	*as to Hong Kong law:* Pang & Co. in association with Loeb & Loeb LLP 21st Floor, CCB Tower 3 Connaught Road Central Hong Kong
Auditor and reporting accountants	Deloitte Touche Tohmatsu *Certified Public Accountants* 35/F, One Pacific Place 88 Queensway Hong Kong
Property valuer	CBRE Limited 4/F Three Exchange Square 8 Connaught Place Central Hong Kong
Receiving bank	The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong

Registered office	Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters, head office and principal place of business in Hong Kong	Flat F–J, 11th Floor Block 2, Kwai Tak Industrial Centre 15–33 Kwai Tak Street Kwai Chung New Territories Hong Kong
Company's website address	**www.s-culture.com** *(information on this website does not form part of this prospectus)*
Company secretary	Mr. Chow Wing Hang, John (*FCCA, HKICPA*) Flat F–J, 11th Floor Block 2, Kwai Tak Industrial Centre 15–33 Kwai Tak Street Kwai Chung New Territories Hong Kong
Authorised representatives	Mr. Chu Chun Ho, Dominic Flat B, G/F Block 2, Wing On Towers No.7–9, Boyce Road Jardine's Lookout, Hong Kong Mr. Chow Wing Hang, John Flat F–J, 11th Floor Block 2, Kwai Tak Industrial Centre 15–33 Kwai Tak Street Kwai Chung New Territories Hong Kong
Compliance adviser	RHB OSK Capital Hong Kong Limited 12th Floor World-Wide House 19 Des Voeux Road Central Hong Kong

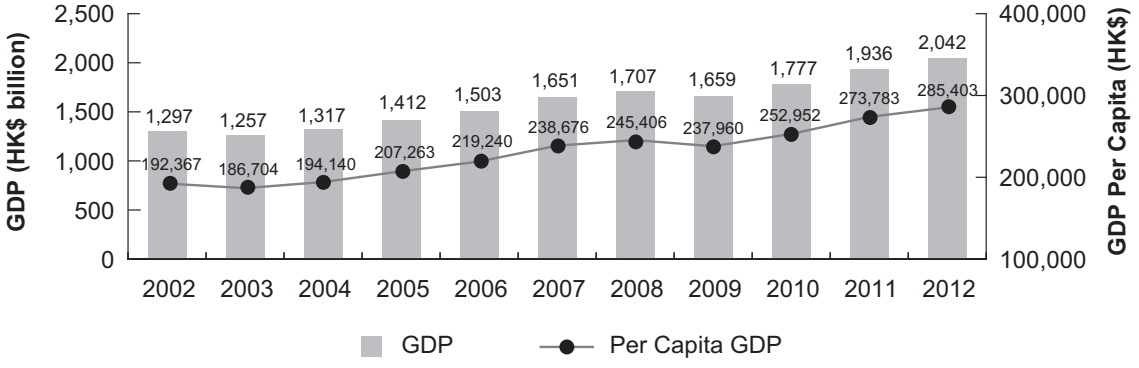
Audit committee	Mr. Wan Kam To *(Chairman)* Mr. Yau Tat Wang, Dennis Mr. Lam Man Tin
Remuneration committee	Mr. Yau Tat Wang, Dennis *(Chairman)* Mr. H. H. Chong Mr. Yu Fuk Lun Mr. Wan Kam To Mr. Lam Man Tin
Nomination committee	Mr. Lam Man Tin *(Chairman)* Mr. H. H. Chong Mr. Yau Tat Wang, Dennis
Cayman Share Registrar	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong Share Registrar	Tricor Investor Services Limited 26/F Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal banks	Bangkok Bank Public Company Limited Hong Kong Branch 28 Des Voeux Road Central Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong

Certain information and statistics relating to our industry provided in this section have been derived from official government sources. In addition, this section and elsewhere in the prospectus contains information extracted from a report, acquired from Euromonitor, for the purposes of this prospectus. We believe that the sources of this information are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is materially false or misleading, and no fact has been omitted that would render such information materially false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, or any of their respective directors, employees, agents or advisers or any other person or party involved in the Global Offering and no representation is given as to its accuracy, other than Euromonitor with respect to the information contained in the Euromonitor Report.

HONG KONG

Overview of Hong Kong Economy

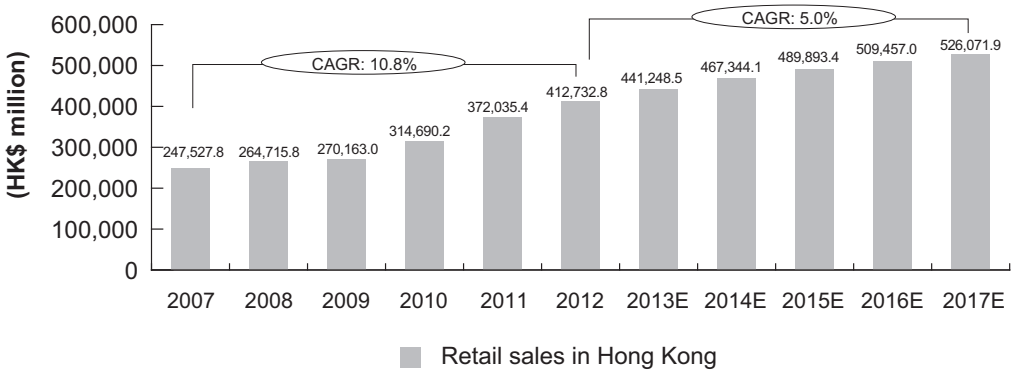
In the past decade from 2002 to 2012, the Hong Kong GDP grew at a CAGR of approximately 4.6%. GDP per capita grew at a CAGR of approximately 4.0%, from approximately HK$192,367 in 2002 to approximately HK$285,403 in 2012, which was the highest for the past eleven years. Meanwhile the unemployment rates in Hong Kong maintained at a rate of approximately 3.3% in 2012. The following table and chart illustrate the growth trend of GDP and GDP per capita in Hong Kong for the years 2002 to 2012.



Source: Census and Statistics Department of the Government of Hong Kong

Retail Sales in Hong Kong

According to Euromonitor, the retail sales is expected to rise by a CAGR of approximately 5.0%, from approximately HK$412.7 billion in 2012 to approximately HK$526.1 billion in 2017. In the long term, while the level of inflation may impact domestic consumption, the retail industry expects the continued strong support from mainland Chinese tourists, despite the central government's plan to cut inbound local tariffs on luxury goods. Hong Kong shall retain its competitive edge attributed by a sales tax free retail environment, quality and creditable goods and services, and strong purchasing power of RMB supported by the favorable exchange rate, according to Euromonitor.



Source: Euromonitor

Note: Historical CAGR and forecast CAGR are calculated on the basis of current value growth and constant value growth in local currency, respectively.

Strong Tourist Spending as a Driver of Growth

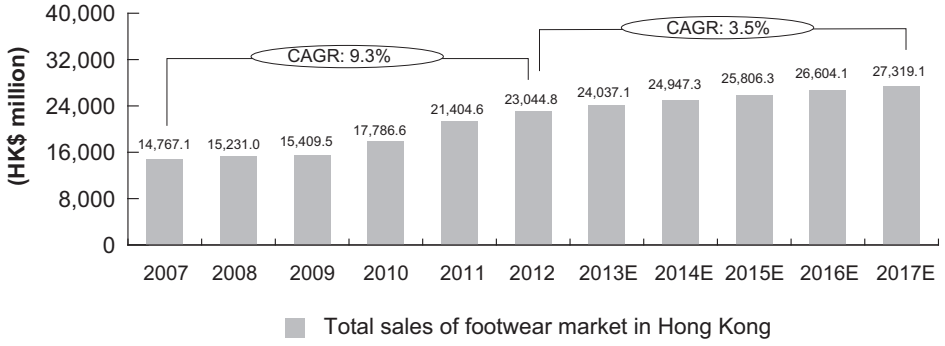
According to the Hong Kong Tourism Board, Hong Kong received a record-high of 42 million visitors from around the world in 2011, a remarkable increase of approximately 16.4% over 2010. Furthermore, the total overnight visitor spending in Hong Kong reached approximately HK$166.7 billion in 2011 increased by approximately HK$31.6 billion or approximately 23.4% from 2010. According to the Hong Kong Tourism Board, the five most popular shopping items among overnight visitors in 2011 were:

Shopping Items	**Percentage of Visitors**
Ready-made Wear	46%
Cosmetics	29%
Snacks/Confectioneries	28%
Shoes/Other Footwear	21%
Handbag/Wallets/Belts	17%

Analysis of Hong Kong Footwear Market

Overview

According to Euromonitor, the total footwear sales in Hong Kong is expected to grow steadily from approximately HK$23.0 billion in 2012 to approximately HK$27.3 billion in 2017; at a CAGR of approximately 3.5%. The following chart shows the historical and forecast footwear sales in Hong Kong from 2007 to 2017.



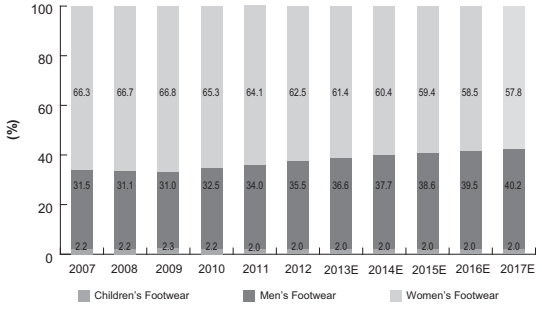
Source: Euromonitor

Note: Historical CAGR and forecast CAGR are calculated on the basis of current value growth and constant value growth in local currency, respectively.

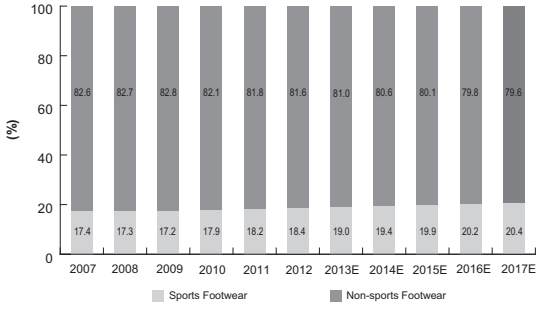
Stable Growing Footwear Market

According to Euromonitor, the footwear industry in Hong Kong can be categorised based on user type, namely children's footwear, men's footwear and women's footwear, as well as functionality, namely sports footwear and non-sports footwear. The following charts illustrate the historical and forecast segment structure of Hong Kong's footwear market from 2007 to 2017, by user types and functionality.

Hong Kong footwear industry catagorised based on user type



Hong Kong footwear industry catagorised based on functionality



Source: Euromonitor

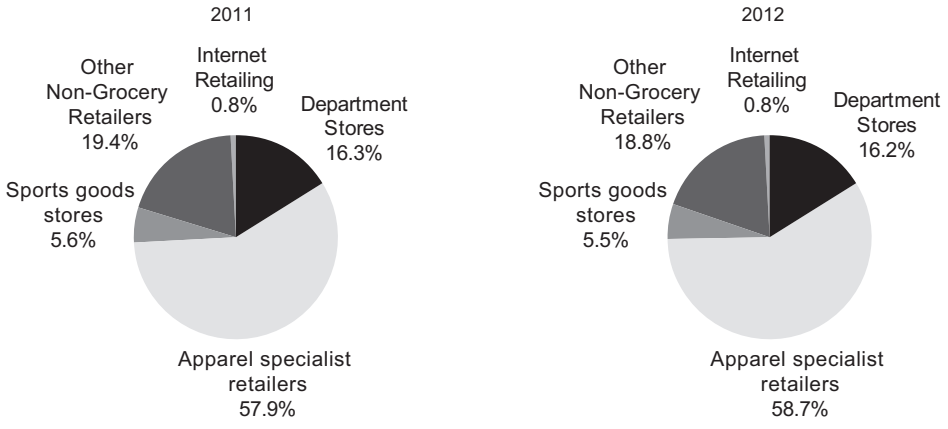
In terms of growth in sales value based on user type, men's footwear achieved a CAGR of approximately 12.0% from 2007 to 2012, accounting for approximately 35.5% of overall footwear sales in 2012. Furthermore, women's footwear achieved a CAGR of approximately 8.0% from 2007 to 2012, accounting for approximately 62.5% of overall footwear sales in 2012. According to Euromonitor, footwear for men and women exhibited steady growth potential over the coming five years, with a forecast CAGR of approximately 6.1% and 1.9% from 2012 to 2017, accounting for approximately 40.2% and 57.8% of overall footwear sales in 2017, respectively.

In terms of growth in sales value based on functionality, sports footwear achieved a CAGR of approximately 10.6% from 2007 to 2012, accounting for approximately 18.4% of overall footwear sales in 2012. Furthermore, non-sports footwear achieved a CAGR of approximately 9.0% from 2007 to 2012, accounting for approximately 81.6% of overall footwear sales in 2012. Sports and non-sports footwear exhibited steady growth potential over the coming five years, with a forecast CAGR of approximately 5.6% and 3.0% from 2012 to 2017, accounting for approximately 20.4% and 79.6% of overall footwear sales in 2017, respectively.

According to Euromonitor, in terms of user type, men's footwear is likely to post the strongest value growth over the forecast period, with men becoming increasingly image-conscious and thus willing to invest in various footwear design and colour, in order to match their different outfits.

Hong Kong Footwear Market by Distribution Channels

As the major distribution channels for footwear, apparel specialist retailers and department stores jointly represented over 74.9% of the total retail sales in 2012. Apparel specialist retailers have taken the lead in the Hong Kong footwear retail market, accounting for approximately 58.7% of the total sales in 2012 and representing the fastest growth among all retail channels. Department stores are the second important distribution channel for footwear, accounting for approximately 16.2% of the total sales revenue in 2012. The charts below shows the sales contribution by key retail channels for footwear in 2011 and 2012.



Source: Euromonitor

Key Drivers of Hong Kong Footwear Market

According to Euromonitor, in 2012, footwear recorded a current value growth of 7.7%, reaching HK$23.0 billion. Local consumers spent less on footwear, yet mainland consumers remained willing to spend on high quality footwear in Hong Kong, according to trade sources. This mitigated the slowdown in growth in footwear sales.

Growing popularity of premium leather footwear

According to Euromonitor, in 2012, premium leather footwear was growing in popularity in Hong Kong. Both men and women increasingly sought out good quality genuine leather shoes for the comfort offered.

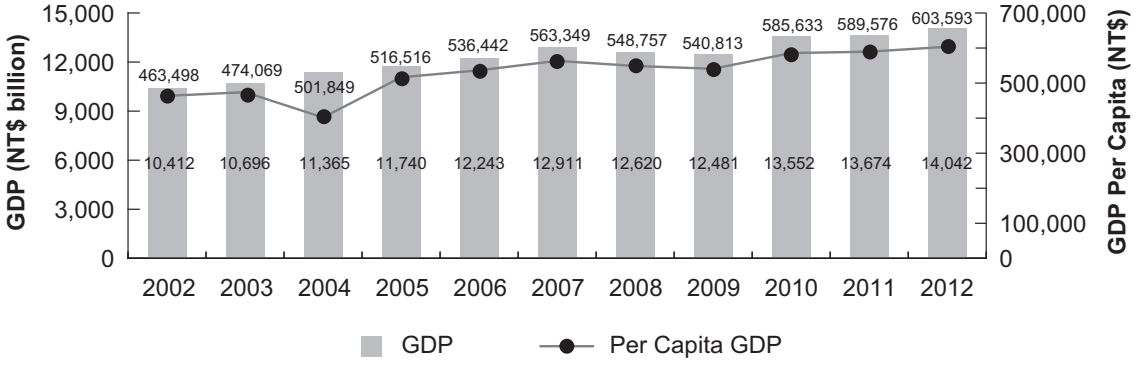
Image-conscious consumers

According to Euromonitor, men's footwear is expected to continue to lead both volume and value growth over the forecast period. Men are expected to become increasingly fashion-conscious over the forecast period, a trend that has emerged over the review period in Hong Kong. They are likely to buy more footwear to match the different outfits that they have. At the same time, more options are expected to become available for men over the forecast period, where footwear is concerned.

TAIWAN

Overview of Taiwan Economy

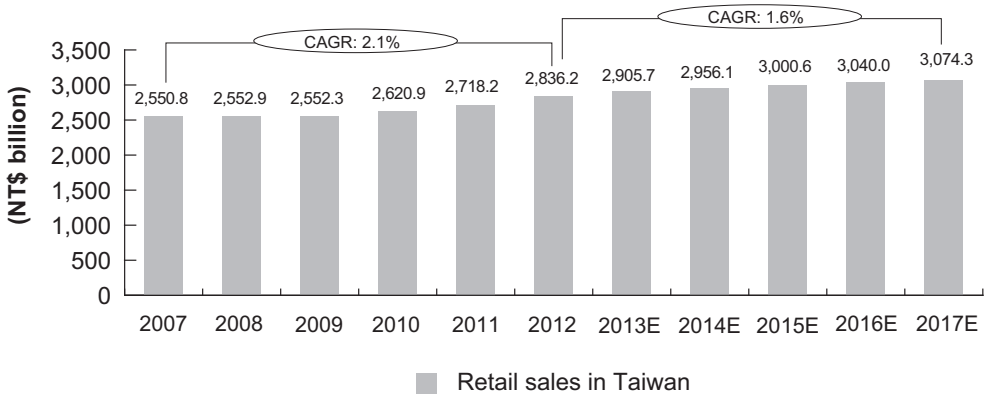
From 2002 to 2012, Taiwan's GDP grew at a CAGR of approximately 3.0%, whereas the annual GDP per capita grew at a CAGR of approximately 2.7%. Taiwan finally opened its doors to independent Mainland Chinese tourists in June 2011. This move came after the initial decision to allow group tourists from China to visit Taiwan in 2008 and was made in a bid to simulate Taiwan's economy. The following chart illustrates the historical growth in GDP and GDP per capita in Taiwan from 2002 to 2012.



Source: Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan)

Retail Sales in Taiwan

According to Euromonitor, the retail sales is expected to rise by a CAGR of approximately 1.6%, from NT$2,836.2 billion in 2012 to NT$3,074.3 billion in 2017. According to Euromonitor, as a result of unstable economic conditions expected in the short term, the influx of mainland Chinese tourists will help boost Taiwan's economy, especially with the high purchasing power of such tourists. The following table and chart illustrate the growth trend of retail market in Taiwan for the years 2007 to 2012 and projected growth from 2012 to 2017.



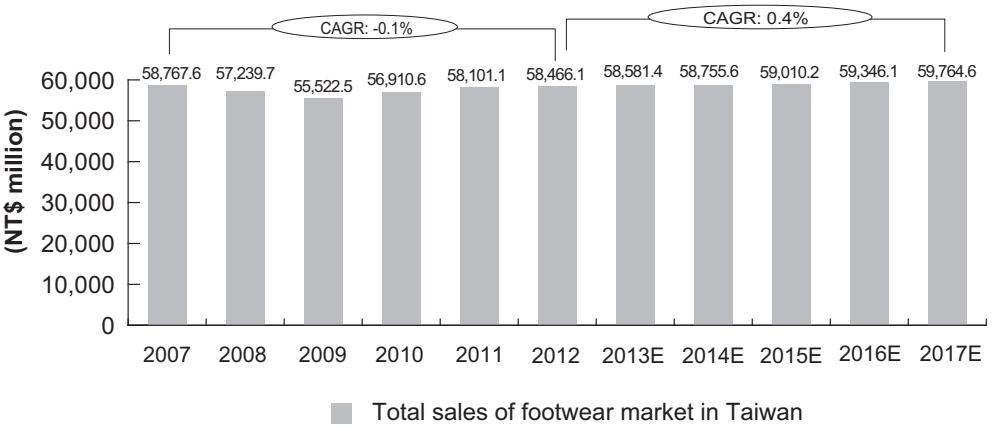
Source: Euromonitor

Note: Historical CAGR and forecast CAGR are calculated on the basis of current value growth and constant value growth in local currency, respectively.

Analysis of Taiwan Footwear Market

Overview

According to Euromonitor, footwear sales grew from approximately NT$58.1 billion in 2011 to approximately NT$58.5 billion in 2012, represented a growth rate of approximately 0.6%. Footwear is predicted to experience a positive CAGR of approximately 0.4% from 2012 to 2017. The following chart illustrates the growth trend of footwear market in Taiwan for the years 2007 to 2012 and projected growth from 2012 to 2017.



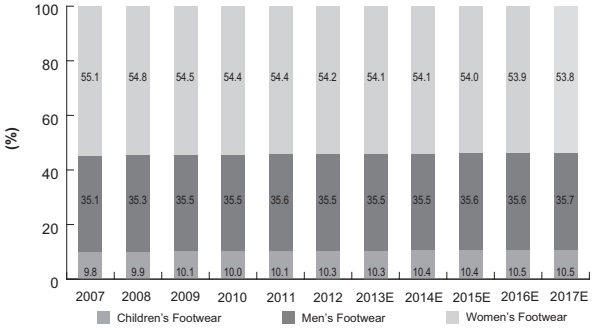
Source: Euromonitor

Note: Historical CAGR and forecast CAGR are calculated on the basis of current value growth and constant value growth in local currency, respectively.

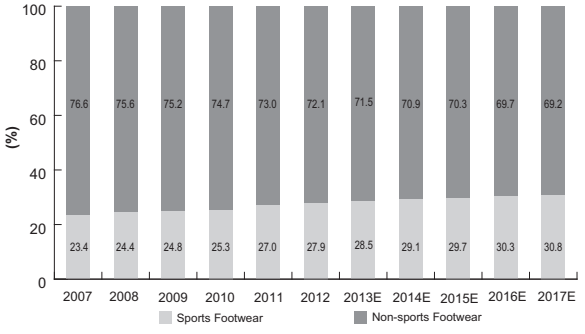
Stable Growth in Men's Footwear Market Share

According to Euromonitor, the footwear industry in Taiwan can be categorised based on user type, namely, children's footwear, men's footwear, and women's footwear, as well as based on functionality, namely sports footwear and non-sports footwear. Men's footwear market share is expected to produce better performance, because it is expected to see stable demand. Forecast performance for men's footwear is less influenced by the economic situation. The following charts illustrate the historical and forecast segment structure of Taiwan's footwear market from 2007 to 2017.

Taiwan footwear industry catagorised based on user type



Taiwan footwear industry catagorised based on functionality

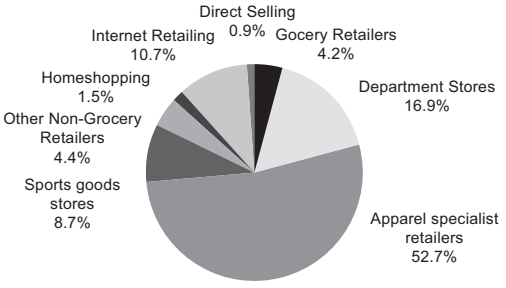


Source: Euromonitor

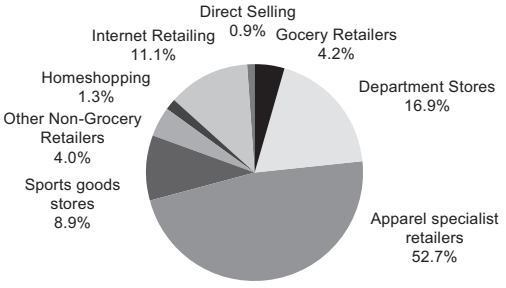
Taiwan Footwear Market by Distribution Channels

According to Euromonitor, as the major distribution channels for footwear, apparel specialist retailers and department stores jointly represented over 69.6% of the total retail sales in 2012. Apparel specialist retailers dominated the channel distribution of Taiwan footwear retail market, accounting for approximately 52.7% of the total sales in 2012. Department stores are the second important distribution channel for footwear, accounting for approximately 16.9% of the total sales revenue in 2012. The charts below shows the sales contribution by key retail channels for footwear in 2011 and 2012.

2011



2012



Source: Euromonitor

Key Drivers of Taiwan Footwear Market

According to Euromonitor, footwear is estimated to see only marginal increase in constant value CAGR over the forecast period. However, strengthening consumer confidence, and increasing interest as well as developments in fast fashion trends over the forecast period are expected to encourage consumers to increase their frequency of purchase of footwear to keep up with on-going fashion trends. Hence, both volume and constant value CAGR over the forecast period are expected to be higher than the review period.

Children's footwear expected to be the fastest growing

According to Euromonitor, children's footwear is expected to be the fastest growing over the forecast period. High birth rates in 2011 and 2012 will create higher demand for children's footwear as they outgrow their footwear quickly. As they grow older, they will start to need footwear for different purposes such as sports, school, parties and casual wear.

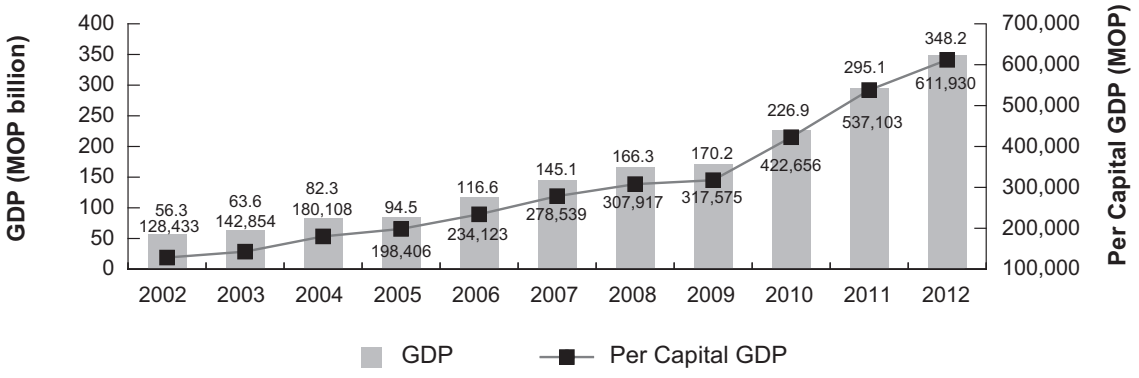
Demand for quality footwear

According to Euromonitor, during the forecast period, it is anticipated that there will be increased demand for good quality footwear amongst the aging Taiwan's baby boomers consumer segment. Older consumers typically have higher disposable incomes and are health-conscious. Therefore, they will be more willing to spend on good quality footwear as long as they are able to provide adequate comfort and support for their aging limbs. Older consumers are also usually more brand-loyal and value function and quality over the aesthetics of their footwear.

MACAU

Overview of Macau Economy

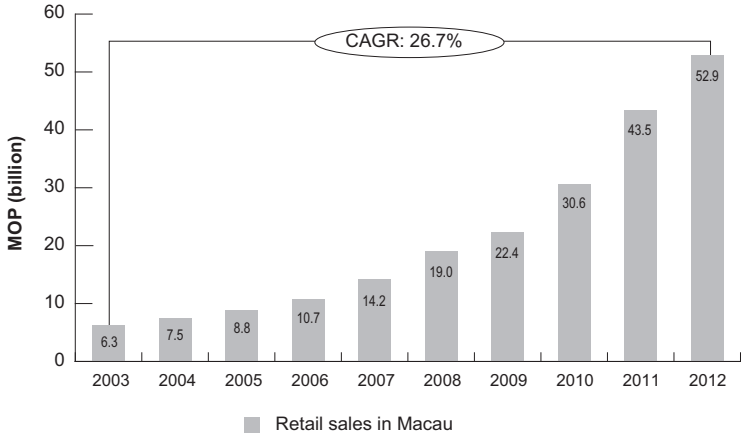
After opening up its locally-controlled casino industry to foreign competition in 2001, the territory attracted tens of billions of dollars in foreign investment, transforming Macau into one of the world's largest gaming centers. From 2002 to 2012, the Macau GDP and GDP per capita grew significantly at a CAGR of approximately 20.0% and approximately 16.9%, respectively. The chart below shows the growth in GDP and GDP per capita in Macau from 2002 to 2012.



Source: Statistics and Census Service of Government of Macao Special Administrative Region

Encouraging Retail Market in Macau

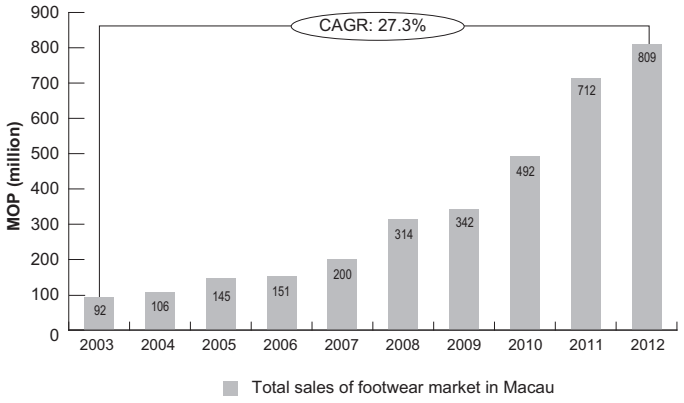
Boosted by the economy of Macau greatly, in particular to the gaming and tourism business, the total retail market in Macau increased remarkably from approximately MOP6.3 billion in 2003 to approximately MOP52.9 billion in 2012 with a CAGR of approximately 26.7%. The following chart illustrates the historical data of the wholesale and retail trades of Macau from 2003 to 2012.



Source: Statistics and Census Service of Government of Macao Special Administrative Region

Analysis of Macau Footwear Market

According to Statistics and Census Service of Government of Macao Special Administrative Region, the total footwear sales in Macau grew from approximately MOP92 million in 2003 to approximately MOP809 million in 2012; at a CAGR of approximately 27.3%. The following chart shows the historical footwear sales in Macau from 2003 to 2012.

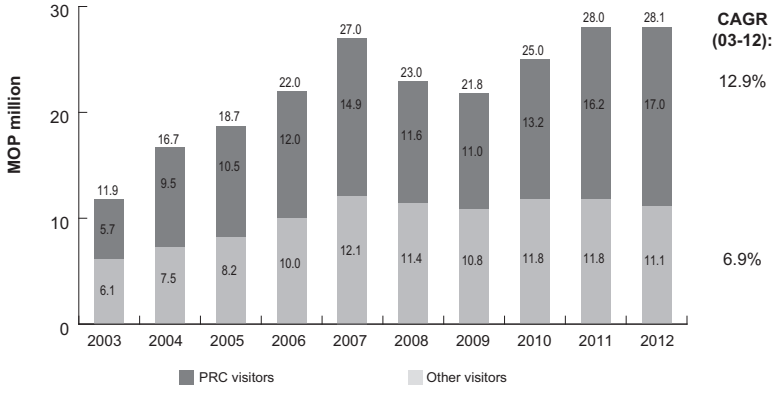


Source: Statistics and Census Service of Government of Macao Special Administrative Region

Key Drivers of the Macau Footwear Market

Positive impact of visitors from China

According to Macau Public Security Police, the total visitor arrivals by place of residence soared from approximately 11.9 million in 2003 to a record high of approximately 28.1 million in 2012, of which Mainland China was the major source of visitors with more than 50% share of the total. In terms of the total per capita spending of visitors (excluding gaming expenses), mainland Chinese visitor spent approximately MOP2,048, which exceeded the average spending per visitor by approximately 26.5%, according to the Statistics and Census Service of Government of Macao Special Administrative Region. The following chart illustrates the total visitor arrivals in Macau and the total visitor arrivals from Mainland China in Macau from 2003 to 2012.

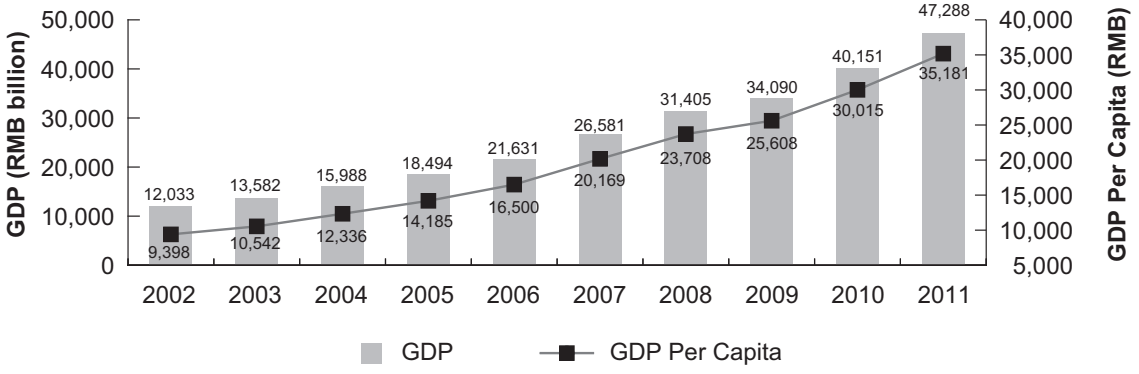


Source: Statistics and Census Service of Government of Macao Special Administrative Region

THE PRC

Overview of the PRC Economy

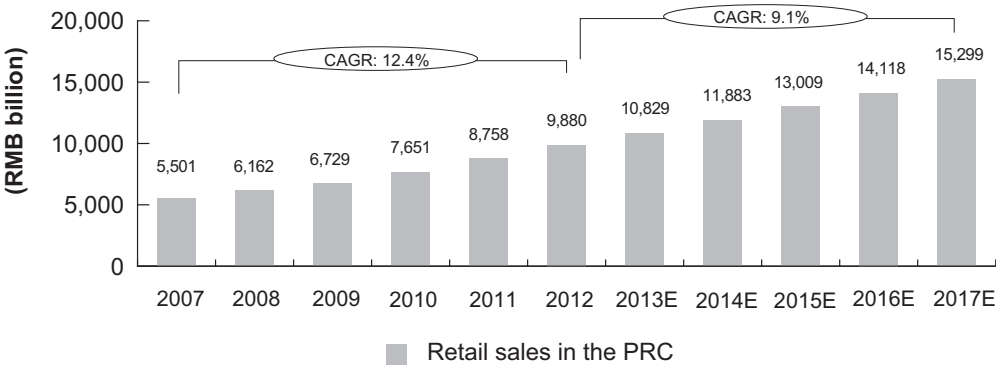
The economy in the PRC has continued to grow since economic reform was introduced in 1978. According to the National Bureau of Statistics of China, from 2002 to 2011, the annual GDP and annual GDP per capita of the PRC soared at CAGR of approximately 16.4% and approximately 15.8%, respectively. The following chart shows the growth in GDP and GDP per capita in the PRC from 2002 to 2011.



Source: China Statistical Year Book 2012

Fast Growing Retail Sales in the PRC

According to Euromonitor, the retail sales is expected to rise by a CAGR of approximately 9.1%, from RMB9,879.8 billion in 2012 to RMB15,299.2 billion in 2017. According to Euromonitor, the continuous recovery of the economy and increasing household incomes laid solid foundations for the buoyant development of retailing. The following chart illustrates the growth trend of retail market in the PRC for the years 2007 to 2012 and projected growth from 2012 to 2017.

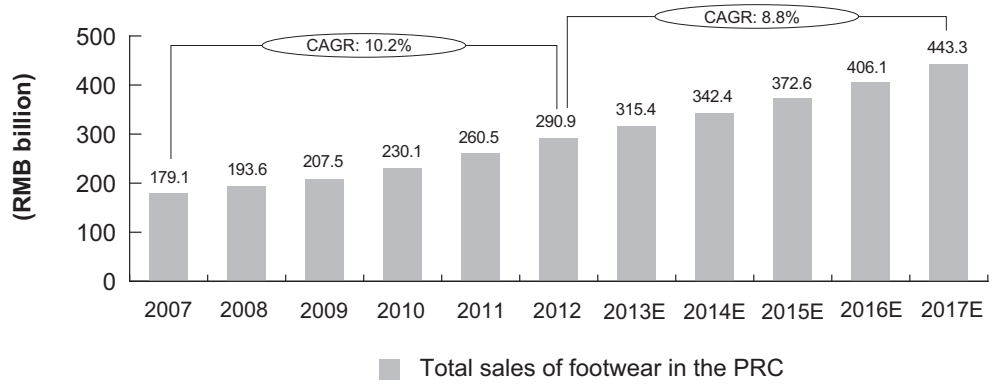


Source: Euromonitor

Note: Historical CAGR and forecast CAGR are calculated on the basis of current value growth and constant value growth in local currency, respectively.

Robust PRC Footwear Market

According to Euromonitor, footwear sales grew from approximately RMB260.5 billion in 2011 to approximately RMB290.9 billion in 2012, represented a growth rate of approximately 11.7%. Footwear sales is expected to rise by a positive CAGR of approximately 8.8%, from RMB290.9 billion in 2012 to RMB443.3 billion in 2017. The following chart illustrates the growth trend of footwear market in the PRC for the years 2007 to 2012 and projected growth from 2012 to 2017.



Source: Euromonitor

Note: Historical CAGR and forecast CAGR are calculated on the basis of current value growth and constant value growth in local currency, respectively.

Key Drivers of the PRC Footwear Market

Strong economic growth, fast growing retail and footwear market

According to Euromonitor, retailing in China is expected to see continue dynamic growth momentum, thanks to rising disposable incomes. Furthermore, according to the National Bureau of Statistics of China, per capita annual consumption expenditure of urban households on apparel and footwear increased from approximately RMB591 in 2002 to approximately RMB1,675 in 2011, increased at a CAGR of 12.3%.

COMPETITIVE ANALYSIS

Competitive Landscape

The footwear market in Hong Kong, Taiwan, Macau and the PRC is highly competitive and fragmented with an array of players, including designers, marketers, manufacturers and retailers, all vying for share, according to the Directors. The Group's Hong Kong, Taiwan and Macau revenue represented less than 3% in each of the respective footwear market during the Track Record Period. Our business model is very specific and unique because (i) we are a wholesaler and retailer of lifestyle comfort footwear products of international brands; and (ii) our Retail Outlets are operated under two sales concepts (a) multi-branded Retail Outlets; and (b) specialty Retail Outlets. Given our multi-dimensional business model coupled with a fragmented competitive landscape of the footwear market in nature, there is no meaningful and specific statistics on market shares of a particular player who is directly comparable to our business model readily available.

Barriers to Entry of the Footwear Market

Capital requirements

Barriers to entry for international lifestyle comfort footwear brands in Hong Kong, Taiwan, Macau and the PRC are high and are mainly related to the time and capital investment required to build and penetrate a brand into the highly competitive markets, according to our Directors. Regardless whether the business is handled by distributors or self operation, substantial capital has to be invested including rental for office, warehouse and stores and remuneration for office and retail staff. In addition, huge investments are also required for brand positioning and continuous timely refurbishment of brand's retail network which are strategically important means to convey the desired brand image and maintain customer loyalty.

Retail network requirements

Lack of an established distribution network presents another barrier to entry for potential players as is intense competition for prime locations for retail and wholesale outlets. Relationship with property developers, local landlords and department stores are

of paramount importance. Local footwear distributors with extensive retail networks will be of great benefit to potential players for obtaining better locations or area in the street, shopping malls or department stores.

Future Opportunities and Challenges of the Footwear Market

Prospects

Hong Kong

According to Euromonitor, over the forecast period, footwear in Hong Kong is expected to post a constant value CAGR of less than 4%. In volume terms, the forecast period CAGR is less than half that of the 7% achieved over the review period. This is largely attributable to the slower projections for women's footwear, the largest contributor to footwear sales in Hong Kong and hence, the most developed and matured.

According to Euromonitor, men's footwear is expected to continue to lead both volume and value growth over the forecast period. Men are expected to become increasingly fashion-conscious over the forecast period, a trend that has emerged over the review period in Hong Kong. They are likely to buy more footwear to match the different outfits that they have. At the same time, more options are expected to become available for men over the forecast period, where footwear is concerned.

Unit prices are expected to decline over the forecast period for both men's footwear and children's footwear. Women's footwear, on the other hand, is expected to see value growth being slightly higher than volume growth in the 2012 to 2017 period.

Prices are expected to inch up slightly as female shoppers become more discerning at the same time and opt for better quality, pricier shoes alongside cheaper ones.

Taiwan

According to Euromonitor, during the forecast period, it is anticipated that there will be increased demand for good quality footwear amongst the aging Taiwan's baby boomers consumer segment. Older consumers typically have higher disposable incomes and are health-conscious. Therefore, they will be more willing to spend on good quality footwear as long as they are able to provide adequate comfort and support for their aging limbs. Older consumers are also usually more brand-loyal and value function and quality over the aesthetics of their footwear.

Men's footwear is forecasted to register a constant value CAGR of 0.5% over the forecast period. Since men generally purchase footwear as a necessity, their purchases are less dependent on the economy and therefore, create a stable demand for men's footwear. They are also more brand-loyal and are more willing to spend on quality footwear that does not need frequent replacing.

The PRC

According to Euromonitor, as a result of rising disposable incomes the PRC is expected to see dynamic growth momentum in the retailing industry continuously. According to the National Bureau of Statistics of China, per capita annual consumption expenditure of urban households on apparel and footwear increased from approximately RMB591 in 2002 to approximately RMB1,675 in 2011, increased at a significant CAGR of approximately 12.3%. According to Euromonitor, the retail sales are expected to rise by a CAGR of approximately 9.1% from 2012 to 2017.

Threats

Our Directors are of the view that our established retail and wholesale network of marketing international brands of lifestyle comfort footwear products, enables our Group to target a specific group of customers — functional yet comfortable footwear products buyers. This is both our Group's competitive advantage as well as its disadvantage. Our Group targets a niche market of specific consumers who the Directors believe, is one of the growing market segment but it does not reach the mass market audience like sports footwear.

Competitive Advantage

Our Directors believe that the competition in the footwear market is based upon various factors including the ability to select and market the branded footwear products, customer service and management.

According to our Directors, high brand awareness can provide confidence to consumers. To boost sales (partly through our expansion in the PRC) and increase customer loyalty, our licensed brands are building brand awareness and reputation via our established footwear distribution network in Hong Kong, Taiwan and Macau. Our ability to select and market our branded footwear products to our customers is one of our ingredients for success. Moreover, with the intense competition, not only are the products themselves becoming more important, the overall customer experience and thus quality customer service is becoming increasingly important. Furthermore, we have an experienced management team led by Mr. Chu, our Vice Chairman and executive Director, who has over 38 years of experience in the footwear industry and possesses extensive management and operating experience and expertise in trading and footwear retail and wholesale business. We believe that our management team's in-depth knowledge of the footwear industry can enable us to respond efficiently to various challenges from the changing market conditions. As a consequence, by leveraging our competitive strengths, we believe we are well positioned to continue to deal with the intense competition. Please refer to the section headed ''Business — Competitive Strengths'' in this prospectus.

EUROMONITOR REPORTS

Euromonitor International (Asia) Pte Ltd., is an Independent Third Party and an independent market research firm with more than 25 years' of industry experience in conducting trade research and detailed local market analysis. A total amount of US$6,200 was paid to Euromonitor for the reports.

The reports from Euromonitor cover various topics including: (i) demographic and socio-economic indicators in Hong Kong, Taiwan and the PRC that are relevant to the footwear market; (ii) the overall environment of the footwear industry in Hong Kong, Taiwan and the PRC, including industry structure, market size and future outlook; (iii) the Hong Kong and Taiwan footwear segment, including market sizing, competitor analysis and market share estimation and (iv) data on the footwear market in Hong Kong, Taiwan and the PRC. The methodology used by Euromonitor for its reports account for both primary and secondary research in the markets of Hong Kong, Taiwan and the PRC, supplemented with market/strategic overview analysis reconciling data and qualitative and anecdotal information gained from sources inside the industry. Primary research involves trade interviews with key industry players such as footwear retail store managers, sales and marketing team of footwear brands and trade associations. Secondary research involves an assessment of relevant background information publicly available through sources such as websites and trade reports of footwear brands, retailers, national statistics, annual reports, business and mainstream press, fashion media and any other publicly available, relevant sources. Such information is cross-referenced with any available Euromonitor's internal data and expertise.

Forecasts for the market were determined via an aggregation of opinions and facts gathered during Euromonitor's trade interviews with footwear retail store managers, sales and marketing team of footwear brands and trade associations. These sources were interviewed and asked about their opinion of the market trends going into the forecast period. Euromonitor confirms that it has carried out research as per Euromonitor's standard trade research methodology. Euromonitor is of the opinion that trade interviews with the industry is the closest measure and best estimate of how the footwear market is expected to perform in the forecast period based on historic as well as current trends.

The scope of work for the studies from Euromonitor covers Hong Kong, Taiwan and the PRC.

LAWS AND REGULATIONS IN HONG KONG

Product liability

In Hong Kong, there is no specific legal regime regulating product liability. The law in these areas, both civil and criminal, can be found in legislations as well as in common law.

Civil liability

Civil liability in relation to product liability claims arises under the law of contract and/or the law of negligence.

Contracts for the sale of goods in Hong Kong are mainly governed by the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong). For consumer transactions, certain terms are implied into sale contracts to strengthen protection to consumers. Examples include the implied undertaking that the goods are of merchantable quality, requiring that the goods should be fit for the purpose(s) for which goods of that kind are commonly bought, of such standard of appearance and finish, free from defects (including minor defects), safe, and durable as reasonably expected having regard to the relevant circumstances. Similarly, there are also implied terms governing the supply of services and the governing legislation is the Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong).

Apart from the contractual aspect of liability, distributors and retailers in Hong Kong may also owe a duty of care to consumers and be liable for damage resulting from defects developed in the goods caused by their negligent acts or for any fraudulent misrepresentation made in the distributing and selling of the goods. Liability may arise if a distributor or retailer disregards the instructions of the manufacturers or suppliers in handling the relevant goods or fails to pass on to the buyers instructions for use and warnings received from such manufacturers or suppliers. If a distributor or retailer knows or reasonably believes that the goods may be defective or dangerous, it may have to cease to supply such goods and take basic precautions such as warning the buyers and informing the relevant manufacturers or suppliers.

The extent to which liability for breach of contract, or for negligence or other breach of duty, can be avoided through contractual terms is limited by the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong). The Unconscionable Contracts Ordinance (Chapter 458 of the Laws of Hong Kong) further empowers the court to refuse to enforce any consumer contracts, enforce the remainder of a contract without the unconscionable part, or limit the application of, revise or alter any part which is found to be unconscionable.

Criminal Liability

The Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) imposes certain obligations on manufacturers, importers and supplies of general consumer goods. It stipulates that a person shall not supply, manufacture or import into Hong Kong consumer goods unless the consumer goods comply with the general safety

requirement or the applicable approved standard for the particular consumer goods. The general safety requirement is an objective test which requires the consumer goods supplied to be reasonably safe having regard to all of the circumstances, including the manner in which the goods are presented and promoted, the instructions or warnings given, reasonable safety standards published by a standards institute, and the existence of any reasonable means to make the goods safer taking into account the cost, likelihood and extent of any improvement. Criminal sanctions are imposed for violations unless a due diligence defence can be successfully established. For safety reasons, the Commissioner of Customs and Excise has the power under the Consumer Goods Safety Ordinance to serve on a person a recall notice requiring the immediate withdrawal and retrieval of consumer goods which he reasonably believes to be unsafe or do not comply with approved safety standards, and that there is a significant risk that the consumer goods will cause a serious injury.

Advertising and promotion practices

Hong Kong does not have a single generic legislation to regulate advertising practice. There are however a number of legislations regulating advertising and promotion practices and one of the key legislations is the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong). A trade description includes an indication of quantity, composition, and fitness for purpose, performance, physical characteristics and place of origin with respect to any goods. It is an offence under the Trade Descriptions Ordinance for any person to apply a false or misleading trade description to goods or to supply goods to which false trade descriptions have been applied. False and misleading trade descriptions of goods used in advertisements are also prohibited. The Customs and Excise Department is responsible for enforcing the Trade Descriptions Ordinance and its subsidiary legislations.

Enhanced consumer protection

In view of the lack of consumer protection against certain unfair trade practices such as false descriptions of services and aggressive commercial practices, the Hong Kong Government has completed a review of the existing consumer protection legislation and proposed improvements through amendments to the Trade Description Ordinance. The Trade Descriptions (Unfair Trade Practices) (Amendment) Ordinance 2012 will come into operation on 19 July 2013. The key changes include:

- the expansion of the definition of ''trade description'' in respect of goods to mean any indication, direct or indirect, and by whatever means given, with respect to any goods or parts of goods such as price indication;

- the extension of the prohibition on false trade descriptions to services made in consumer transactions, and to define ''services'' under any consumer contract;

- the creation of new offences on practices such as misleading omissions, aggressive commercial practices, bait advertising, bait-and-switch and wrongly accepting payment; and

- an introduction of a mechanism enabling aggrieved consumers to commence civil actions to recover any loss or damage suffered in addition to criminal sanctions.

LAWS AND REGULATIONS IN TAIWAN

Product Liability

In Taiwan, the sale of products is generally governed by the contract agreed by the parties involved, the Civil Act and the Consumer Protection Act. Absent of the contract agreed by the parties, the regulations under the Consumer Protection Act shall apply. Please note that the Consumer Protection Act only deals with the civil liability, and there is no specific legal regime in Taiwan to regulate the criminal product liability.

Under Article 7 and Article 9 of the Consumer Protection Act, business operators engaging in the design, production, manufacture or importation of products shall ensure that products provided by them meet and comply with the contemporary technical and professional standards of the reasonably expected safety when such products launch into the market. If the business operators violate the foregoing safety obligation and thus cause injury to consumers or third parties, they shall be jointly and severally liable therefore, provided that if they can prove that they are not of any negligence, the court may reduce their liability for damages.

Pursuant to Article 8 of the Consumer Protection Act, business operators engaging in the distribution or sale of products shall be jointly and severally liable for damages with those business operators engaging in the design, production, manufacture or importation of products with respect to injury caused by such products. However, such joint and several liability shall not be applicable in the event that they have exercised due care to prevent such injury, or even if they had exercised due care, injury would still have occurred.

Please be noted that the liability for damages of business operators to consumers set forth above shall not be limited or exempted in advance.

Advertising and promotion practices

In Taiwan, the regulations regarding advertisement and promotion practice of products are specified in the Consumer Protection Act and Fair Trade Act. Under Article 22 of the Consumer Protection Act, business operators engaging in the design, production, manufacture, importation, distribution or sale of products shall ensure the accuracy of the contents of advertisements and their obligations to consumers shall not be inferior to the contents stated in the advertisements.

According to Article 21 of the Fair Trade Act, no enterprise shall make or use false or misleading representations or symbol as to price, quantity, quality, content, production process, production date, valid period, method of use, purpose of use, place of origin, manufacturer, place of manufacturing, processor, or place of processing on goods or in advertisements, or in any other way making known to the public. The Fair Trade

Commission (''**FTC**'') may request the violating enterprise to cease, rectify its conduct or take necessary corrective action within the specified period, and it may impose upon such enterprise an administrative fine of not less than NT$50,000 no more than NT$25,000,000. If the violator fails to correct the misconduct after the expiry of the prescribed period, the FTC may continue to order such enterprise to correct its misconduct within the prescribed period, and each time may successively impose an administrative fine of not less than NT$100,000 nor more than NT$50,000,000 until it ceases, rectifies its conduct or takes the necessary corrective action.

Foreign Exchange Control

Foreign exchange issues are governed by the Foreign Exchange Control Act. Pursuant to Article 6-1 of the Foreign Exchange Control Act, foreign exchange receipts and disbursements or transactions involving foreign exchange equivalent to NT$500,000 or more shall be declared as required. In accordance with the authorisation required as aforesaid, the Central Bank of Taiwan also stipulates the Regulations Governing the Declaration of Foreign Exchange Receipts and Disbursements or Transactions to deal with issues related to foreign exchange declaration.

The foreign exchange requirements imposed on a Taiwanese company's behaviors are summarised as follows:

A. For foreign exchange receipts and disbursements or transactions involving foreign exchange equivalent to less than NT$500,000 (approximately US$17,241):

   No need to declare.

B. For the amount of a single transaction of more than NT$500,000 but less than US$1 million with an accumulated amount of foreign exchange purchased or sold of that year not more than US$50 million:

   Upon the completion of the declaration statement, foreign exchange settlement in NT$ shall be processed immediately without testimonials required.

C. For the amount of a single transaction of more than US$1 million with an accumulated amount of foreign exchange purchased or sold of that year not more than US$50 million:

   The foreign exchange settlement in NT$ can only be processed upon the testimonials having been submitted and confirmed by the banking enterprise.

D. Necessary remittance made by a company with an accumulated amount of foreign exchange purchased or sold each year of more than US$50 million:

   The foreign exchange settlement in NT$ can only be proceeded upon the testimonials having been submitted and the banking enterprise has applied for the approval of the Central Bank of Taiwan.

LAWS AND REGULATIONS IN MACAU

Product Liability

In Macau, the sale of goods is generally governed by the law of contract under the Civil Code (Código Civil — Livro III Direito das Obrigações) and specific provisions in respect of product liability can be found in the Commercial Code.

Under the Commercial Code a manufacturer is liable, regardless of malpractice, for any and all damages caused to any third party by the defects of products it supplies. For liability purposes, importers are equated to manufacturers and so are the distributors and retailers of products of which the Macau manufacturer or importer is not identified (unless, when informed of the damages caused by a product it supplies, the distributor or retailer discloses the identity of the products' manufacturer, importer or of a previous distributor). Product liability is based on the concept of defective product. A product is qualified as being defective if, at the moment its put into the market, it does not offer the safety that is legitimately expected from it; having regard to the relevant circumstances, amongst which its appearance, specifications, and the use that can reasonably be made of it.

Distributors and retailers in Macau also owe a duty of care to consumers and may be liable for damage resulting from defects developed in the goods caused by their negligent acts or any fraudulent misrepresentation made in the distribution and sale of the goods. If a distributor or retailer knows or reasonably believes that the goods they are selling may be defective or dangerous they are obliged to cease to supply such goods. Product safety regulations and consumer protection provisions can be found in law 12/88/M and in the administrative regulation 17/2008.

Product liability cannot be excluded or limited by contract and any contractual provisions to the contrary are considered not written.

Advertising and Promotion Practices

Advertising and promotion practices in Macau are governed under the provisions of law 7/89/M (the ''**Advertising Law**''). An advertisement shall be lawful, identifiable and accurate in its representations and shall comply with the principles of consumer protection and fair competition. It is an offence under the Advertising Law for any person or entity to advertise in a way that may mislead the consumer as to the conditions of acquisition of a product or service; namely as to its price, payment methods, credit facilities offered, delivery and replacement conditions. The relevant industry's regulator (if any) or the Macau Economy Services are responsible for enforcing the provisions of the Advertising Law.

HISTORY

Our history traces back to July 1974 when our first operating subsidiary, Kong Tai Sundry Goods, was incorporated in Hong Kong with Mr. Chu as one of the founding members and directors. In 1974, we began our wholesale and retail of a range of goods (including footwear) in the local market in Hong Kong. In the 1990s, we began to focus on wholesale and retail business of footwear as part of our new business strategy. We have acquired from C&J Clark and since then maintained the exclusive distribution right of Clarks products in Hong Kong and Taiwan for more than 20 years, and in Macau for more than 15 years. Our said exclusive distribution right has been subsisting at all material times and has never been suspended. We gradually developed our distribution network and expanded our sales operation to Taiwan during the 2000s.

Our major business focused on the wholesale and retail of lifestyle comfort footwear products of international brands in Hong Kong, Taiwan and Macau. With the continuous growth of our business, we opened our first chain store in Hong Kong under our own trade name ''S.Culture'' (鞋文化) in 1996. In the same year, we opened the first Clarks store in Hong Kong. To bring in more stylish and comfortable footwear into the foregoing markets, we acquired the right to distribute and sell footwear products of a German brand, Josef Seibel, in Hong Kong, Macau, Taiwan, the PRC, Thailand and Malaysia from Josef Seibel GmbH in 2004. In 2005, we established our second chain store under the brand ''shoe mart'' in Hong Kong with a competitive pricing strategy to attract budget customers.

In 2012, we opened our third chain store under the trade name ''SCOOPS'' in Hong Kong which targets younger generation of customers.

Set out below are our key milestones since the 1970s:

1996	We opened our first chain store in Hong Kong under our own trade name ''S.Culture'' (鞋文化) at G/F, Peninsula Centre, No. 67 Mody Road, Tsim Sha Tsui
	We opened the first Clarks store in Hong Kong at Shop 1002, Miramar Shopping Centre, No.1 Kimberley Road, Tsim Sha Tsui
2004	We acquired the distributorship of Josef Seibel footwear products in Hong Kong, Macau, Taiwan, the PRC, Thailand and Malaysia
2005	We opened our second chain store in Hong Kong under our own brand ''shoe mart'' at G/F, No. 273 Shau Kei Wan Road, Shau Kei Wan
2009	We celebrated the grand launch of the world's first Clarks Originals shop in Hong Kong
2010	We opened the first Clarks flagship store in Hong Kong and set up Kong Tai Sundry Goods (Taiwan)
2011	We opened the first Clarks Originals shop in Taiwan and operated the first specialty store of Josef Seibel in Hong Kong
2012	We opened our third chain store ''SCOOPS'' in Hong Kong at Shop F13, 1/F, PopCorn, 9 Tong Yin Street, Tseung Kwan O.

As at the Latest Practicable Date, our Group operated 51 Retail Outlets in Hong Kong, 45 Retail Outlets in Taiwan and two Retail Outlets in Macau.

CORPORATE DEVELOPMENT

Our Company was incorporated on 17 December 2012 in the Cayman Islands initially as a direct wholly-owned subsidiary of CN Fashion and, upon completion of the Reorganisation, has become the holding company of our Group with our business conducted through our subsidiaries.

Hong Kong

Our Group began our business operation with the incorporation of Kong Tai Sundry Goods in 1974. Shortly after the establishment of Kong Tai Sundry Goods, a number of investors, including among them Mr. H. S. Chong and Mr. Wong Kai Cho, were introduced to our business and they became shareholders of Kong Tai Sundry Goods in December 1974. The shareholding of Kong Tai Sundry Goods had undergone various changes thereafter until September 2005, during which shares were allotted and issued to various individuals including the original investors, their family members and the employees of our

Group from time to time. Transfers of shares in Kong Tai Sundry Goods were also effected among these parties. In the 1990s and 2000s, Grand Asian and other subsidiaries were incorporated respectively to further develop our operations.

In October 2005, the shareholders agreed to hold their respective interests in the business through an investment holding company. As such, most of the then shareholders of Kong Tai Sundry Goods transferred their respective shareholdings to KTS International in consideration of the allotment and issue of shares in KTS International to them. In January 2008, KTS International became the sole shareholder of Kong Tai Sundry Goods and Grand Asian, respectively.

In March 2009, pursuant to another reorganisation exercise, KTS International transferred all its shares in Kong Tai Sundry Goods and Grand Asian (being 5,000,000 shares and 1,000,000 shares, respectively, of HK$1.00 each) to CN Fashion in consideration of the allotment and issue of 6,822 shares of US$1.00 each (a 68.22% shareholding) in CN Fashion to KTS International. The said transfer was properly and legally completed and settled. CN Fashion then became the holding company of the operating subsidiaries of our Group prior to the Reorganisation. Chung Nam Fashion, Pomeroy Group, Mr. Chu, Ms. Wong May Heung and Mr. Wong Kai Cho also acquired their respective shareholdings in CN Fashion by transferring their investments in other companies which are unrelated to our Group to CN Fashion through the reorganisation exercise in 2009. Ms. Wong May Heung is the wife of Mr. Chu, whilst Mr. Wong Kai Cho is a director of Kong Tai Sundry Goods.

Taiwan

Prior to June 2010, our business presence in Taiwan was developed and maintained through United Overseas Sundry Goods, a then associated company of Kong Tai Sundry Goods. During the Track Record Period, CN Fashion was a majority shareholder of United Overseas Sundry Goods and had become its sole shareholder since March 2010. Thus, Kong Tai Sundry Goods, Grand Asian and United Overseas Sundry Goods were fellow subsidiaries under the umbrella of CN Fashion. Kong Tai Sundry Goods used to sell footwear products to United Overseas Sundry Goods as one of our wholesale customers, and United Overseas Sundry Goods further distributed the footwear products in Taiwan.

In June 2010, with a view to consolidating the business for better management, we established Kong Tai Sundry Goods (Taiwan) as a branch office in Taiwan and started the sales of footwear products by ourselves directly in the local market. We repurchased in 2010 the remaining footwear inventories of United Overseas Sundry Goods supplied by us, amounting to approximately HK$10.0 million. In addition to such inventories, we also purchased equipment, leasehold improvement works and motor vehicles from United Overseas Sundry Goods at net book value to enable Kong Tai Sundry Goods (Taiwan) to carry out its operations which amounted to approximately HK$1.7 million.

The consideration for the above purchases was settled by cash. Besides, Kong Tai Sundry Goods (Taiwan) also entered into new contracts with the employees of United Overseas Sundry Goods, under which Kong Tai Sundry Goods (Taiwan) agreed to offer them comparable wages and welfare entitlements with their years of service recognised

as well. Kong Tai Sundry Goods (Taiwan) has also signed agreements to assume the rights and liabilities of United Overseas Sundry Goods under two tenancy agreements in Taiwan, which will expire in the second half of 2013.

We have been advised by our Taiwan legal advisers that we would not be responsible for the past liabilities or breaches of United Overseas Sundry Goods on the grounds that either we were not a party to the relevant transaction between United Overseas Sundry Goods and other third party, or alternatively, in case we had assumed any obligations of United Overseas Sundry Goods under a contract, there were no liabilities for breaches on the part of United Overseas Sundry Goods under that contract. Besides, United Overseas Sundry Goods was not involved in any breaches or claims before its dissolution on 30 July 2012, nor were there any orders, verdicts or judgments against it.

To streamline our Group's structure in preparation for the Listing, our Company was incorporated on 17 December 2012 and various corporate structuring procedures were carried out so that our Company became the holding company of our business in respect of the wholesale and retail of lifestyle comfort footwear in Hong Kong, Taiwan and Macau. For details, please refer to the paragraph headed ''Reorganisation'' in this section.

Operating subsidiaries

Kong Tai Sundry Goods

Kong Tai Sundry Goods was incorporated in Hong Kong on 26 July 1974 and has been substantially controlled by Mr. H. S. Chong and Mr. Chu since 1974. During the Track Record Period and immediately prior to the Reorganisation, the entire issued share capital of Kong Tai Sundry Goods was owned by CN Fashion, the majority shareholding of the latter was directly and/or indirectly owned by our Controlling Shareholders. Kong Tai Sundry Goods is one of our major operating subsidiaries and is principally engaged in wholesale business.

Kong Tai Sundry Goods established a branch in Taiwan in June 2010 to carry out the footwear distribution and retail business of our Group in Taiwan.

Grand Asian

Grand Asian was incorporated in Hong Kong on 23 November 1995. Grand Asian was owned by CN Fashion during the Track Record Period and immediately prior to the Reorganisation. Grand Asian is principally engaged in the retail business of our Group.

Advertiser's Media

Advertiser's Media was incorporated in Hong Kong on 26 November 1996. During the Track Record Period, the entire shareholding of Advertiser's Media was owned by Grand Asian. Advertiser's Media is principally engaged in the marketing and advertising of Clarks products in Hong Kong.

Shoe Mart Company

Shoe Mart Company was incorporated in Hong Kong on 18 January 2005 and was wholly owned by Grand Asian during the Track Record Period. Shoe Mart Company is principally engaged in the sale of discounted footwear.

Cobblers

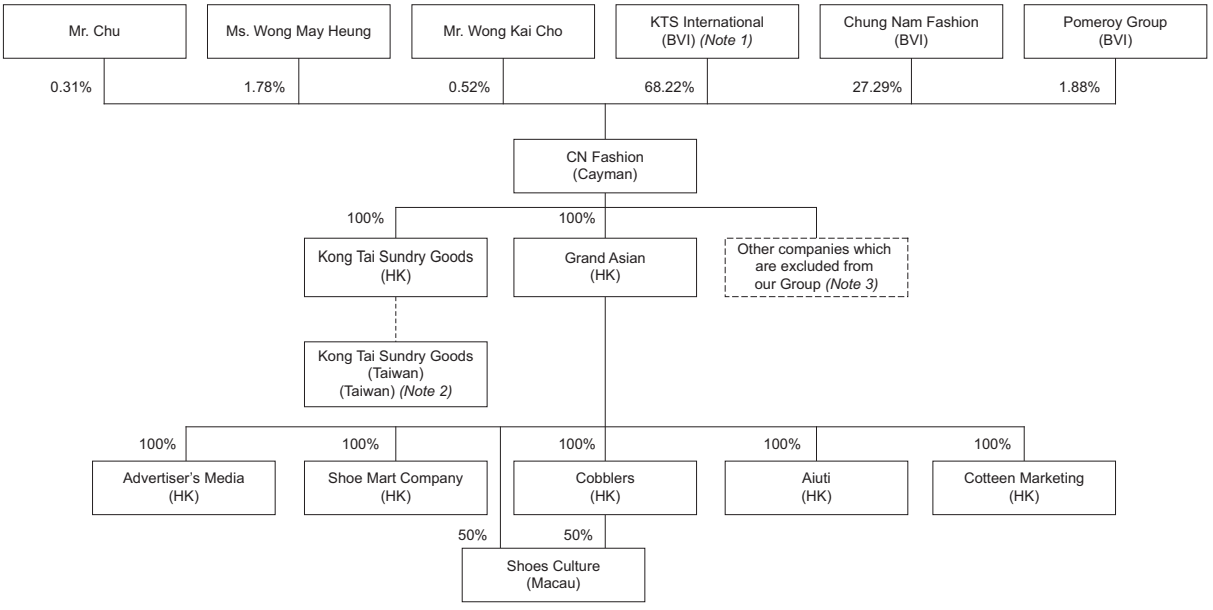
Cobblers was incorporated in Hong Kong on 17 April 2000 and was wholly owned by Grand Asian during the Track Record Period. Cobblers is principally engaged in distribution and wholesale of footwear.

Shoes Culture

Shoes Culture was incorporated in Macau on 19 May 2004 and was 50% owned by each of Grand Asian and Cobblers during the Track Record Period. Our Group's footwear distribution and retail business in Macau is conducted through Shoes Culture.

GROUP STRUCTURE IMMEDIATELY BEFORE THE REORGANISATION

Our Group structure immediately before the Reorganisation is set out in the following diagram:



Notes:

1. As at the Latest Practicable Date, the issued shares of KTS International are owned by the following persons:

Name	**Approximate shareholding**
Mr. H. S. Chong	37.53%
Mr. H. H. Chong	1.68%
Mr. Charles Chong	1.65%
Mr. Chu	23.25%
Mr. Dominic Chu	1.67%
Mr. Haeta Chu	0.62%
Ms. Chu Yuen Fan, Peggie *(a daughter of Mr. Chu and a director of Kong Tai Sundry Goods)*	1.62%
Ms. Chan Mei Yin *(a director of Kong Tai Sundry Goods)*	1.87%
Mr. Wong Kai Cho *(a director of Kong Tai Sundry Goods)*	3.20%
Mr. Tay Choon Meng *(a director of Kong Tai Sundry Goods)*	4.80%
Ms. Chan Keng Seng *(the mother of Mr. Tay Choon Meng)*	2.95%
Mr. Chui Chun Fai *(a nephew of Mr. Chu)*	4.26%
Mr. Chui Siu Kwong *(a brother of Mr. Chu)*	4.02%
Ms. Wu Se *(the spouse of Mr. H. S. Chong)*	0.18%
Chung Nam Fashion	0.12%
14 other persons:	
Mr. Chan Kwan Hon	0.06%
Ms. Chan Pheck Hong	1.32%
Ms. Chan Yau Tuen	0.66%
Mr. Chen Ying	2.41%
Mr. Cheung Chak Wai	1.01%
Ms. Ho Hoi Yin	0.17%
Mr. Lee Seng Khiam	0.28%
Mr. Liu Chia Chu	0.25%
Ms. Ng Bik Kam	0.17%
Mr. Nicholas James Aynsley	0.49%
Mr. Tan Meng Kow	0.01%
Mr. Teo Yew Hwa	2.52%
Mr. Wong Chi Fai	0.56%
Mr. Wong Ka Man	0.67%
Total:	100%

Mr. H. S. Chong, Mr. H. H. Chong, Mr. Charles Chong and Mr. Chu are the Controlling Shareholders and are acting in concert with one another. Save for Chung Nam Fashion and the foregoing, to the best knowledge and belief of our Directors after having made all reasonable enquiries, each of the other shareholders of KTS International acts independently of each other and exercises his or her voting rights therein independently. None of the ''14 other persons'' is a connected person of the Company under Rule 1.01 of the Listing Rules.

2. Kong Tai Sundry Goods (Taiwan) is a branch office of Kong Tai Sundry Goods in Taiwan.

3. Other companies which are excluded from our Group are engaged in businesses unrelated to those of our Group. Their principal business is the distribution and retailing of a European brand ladies' fashion and ancillary accessories.

REORGANISATION

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. The principal steps involved in the Reorganisation are summarised below:

(i) Incorporation of the Company, S. Culture BVI, KTSG, Grandasian Retail and KTS Properties

On 17 December 2012, our Company was incorporated under the laws of the Cayman Islands with an authorised share capital of HK$50,000 divided into 5,000,000 shares of HK$0.01 each.

S. Culture BVI, KTSG and Grandasian Retail were set up as intermediate holding companies. S. Culture BVI was incorporated under the laws of the BVI on 18 December 2012 and is authorised to issue 50,000 shares of US$1 each and is a direct wholly-owned subsidiary of our Company. KTSG was incorporated under the laws of the BVI on 13 December 2012 and is authorised to issue 50,000 shares of US$1 each and is a direct wholly-owned subsidiary of S. Culture BVI. Grandasian Retail was incorporated under the laws of the BVI on 13 December 2012 and is authorised to issue 50,000 shares of US$1 each and is a direct wholly-owned subsidiary of S. Culture BVI.

KTS Properties was incorporated under the laws of the BVI on 13 December 2012 to serve as an investment holding company. It is authorised to issue 50,000 shares of US$1 each and is a direct wholly-owned subsidiary of KTSG.

(ii) Share swap and disposal of our interest in Aiuti and Cotteen Marketing

On 28 December 2012, KTSG acquired the entire issued share capital of Kong Tai Sundry Goods at its net asset value from CN Fashion in consideration of the allotment and issue of 1,000 shares, credited as fully paid, by KTSG to S. Culture BVI at the direction of CN Fashion. On the same date, Grandasian Retail acquired the entire issued share capital of Grand Asian at its net asset value from CN Fashion in consideration of the allotment and issue of 1,000 shares, credited as fully paid, by Grandasian Retail to S. Culture BVI at the direction of CN Fashion. S. Culture BVI, in consideration of the foregoing, allotted and issued a total of 2,000 shares, credited as fully paid, on 28 December 2012 to CN Fashion.

Two Hong Kong subsidiaries of Grand Asian, namely Aiuti and Cotteen Marketing, were inactive and each carried a small net asset value. On 21 January 2013, Grand Asian disposed of and transferred its entire interest in Aiuti and Cotteen Marketing to CN Fashion at their respective net asset values.

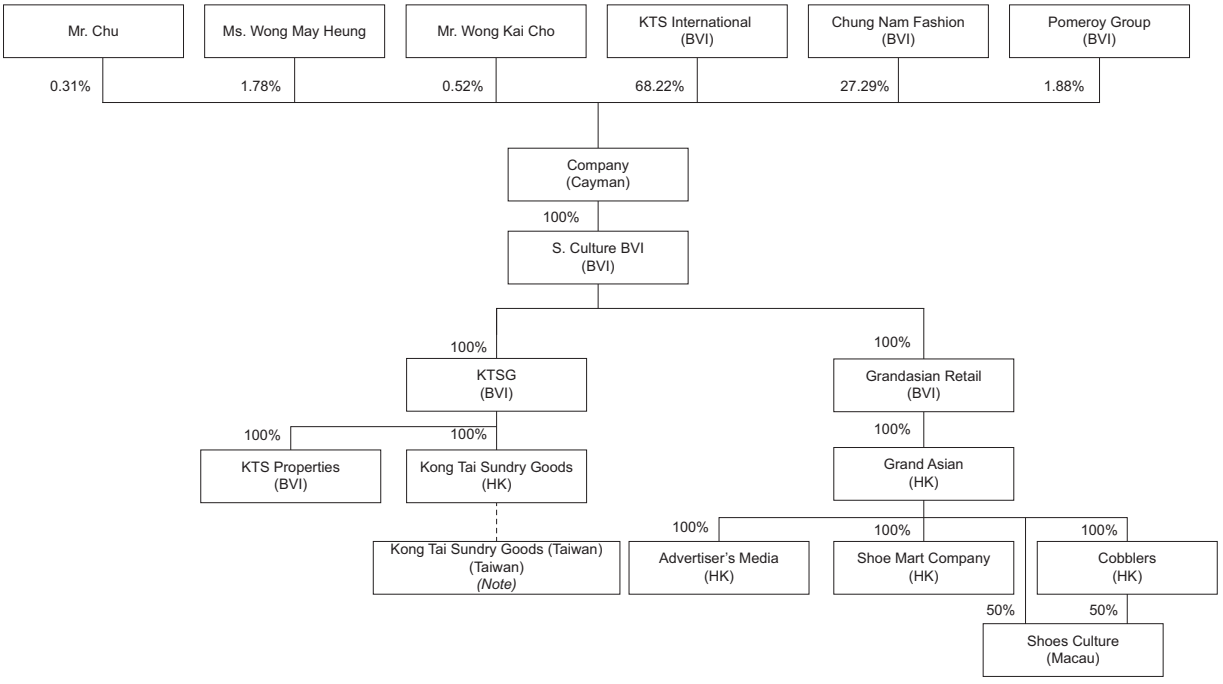
On 25 January 2013, our Company acquired all the issued ordinary shares in the capital of S. Culture BVI from CN Fashion by reference to the combined net asset value of Kong Tai Sundry Goods and Grand Asian as at 31 December 2012, and paid and settled the consideration by way of the allotment and issue of 9,999 Shares, credited as fully paid, to CN Fashion.

(iii) Distribution of Shares in specie

The Shares held by CN Fashion upon completion of the share swap (as set out in paragraph (ii) above) were distributed in specie on 25 January 2013 to the shareholders whose names appeared in the register of members of CN Fashion as at 31 December 2012 in accordance with the applicable Cayman Islands laws.

GROUP STRUCTURE IMMEDIATELY AFTER THE REORGANISATION AND BEFORE THE GLOBAL OFFERING

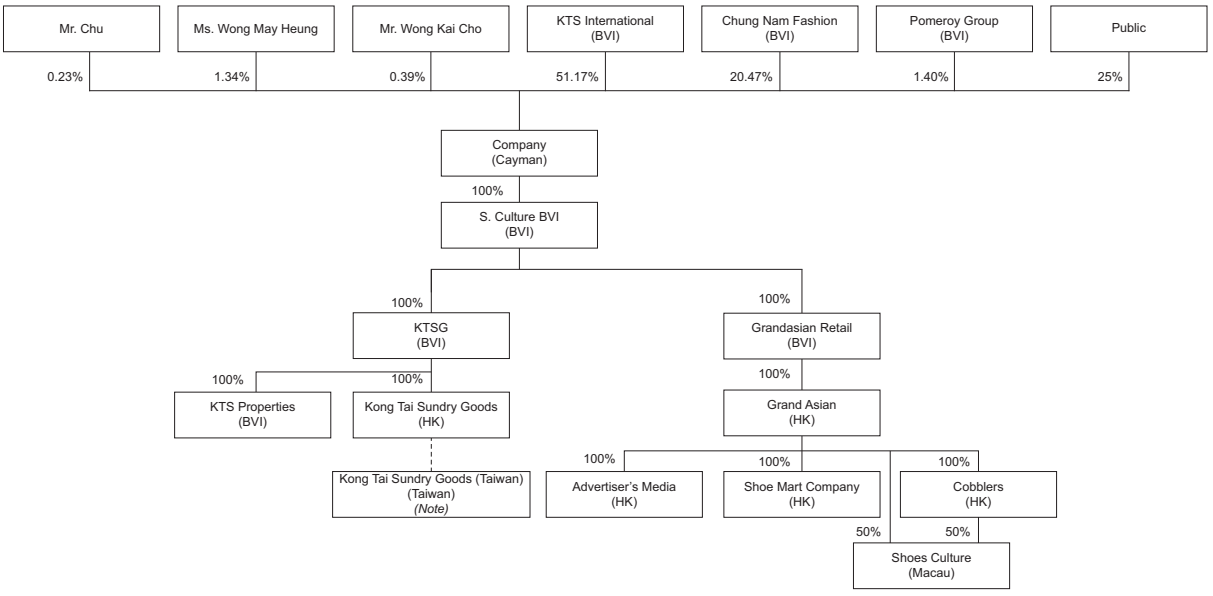
The following diagram sets out our Group structure immediately after completion of the Reorganisation and before the Global Offering.



Note: Kong Tai Sundry Goods (Taiwan) is a branch office of Kong Tai Sundry Goods in Taiwan.

GROUP STRUCTURE IMMEDIATELY AFTER THE GLOBAL OFFERING

The following diagram sets out our Group structure immediately after completion of the Global Offering (assuming the Over-allotment Option and any options which may be granted under the Share Option Scheme are not exercised):



Note: Kong Tai Sundry Goods (Taiwan) is a branch office of Kong Tai Sundry Goods in Taiwan.

OVERVIEW

We are an established distributor and retailer of lifestyle comfort footwear products of international brands, including Clarks, Josef Seibel, The Flexx and Yokono in Hong Kong, Taiwan and Macau. With an operating history of over 38 years in Hong Kong, we have developed and maintained strong and successful relationships with our suppliers of international branded footwear products.

During the Track Record Period, we were the exclusive distributor in Hong Kong, Taiwan and Macau for most of our licensed brands, including Clarks, Josef Seibel, The Flexx and Yokono, and our exclusive distributorship extends to the PRC or other Asia countries for several licensed footwear brands, including Josef Seibel and Yokono. As at the Latest Practicable Date, whilst the authorised territories under our distributorship agreements included other Asian countries, we had Retail Outlets in Hong Kong, Taiwan and Macau only. Under the distributorship and/ or franchise agreements, we are not required to pay any fees to any of our existing suppliers for obtaining or renewing our distributorship or franchise. With reference to the minimum purchase requirements, it is mutually understood between our suppliers and us that the actual purchase quantities are negotiable if necessary. During the Track Record Period, we were able to meet all minimum purchase and minimum new outlet requirements in Hong Kong and Taiwan. Our licensed brands provide us with an array of international brands of footwear and a comprehensive product range to capture the ever changing footwear market in Hong Kong, Taiwan and Macau. Apart from distribution to wholesale customers, we are also a retailer of our licensed footwear brands through our self-operated Retail Outlets network under the trade names S.Culture, shoe mart and SCOOPS, and individual licensed brands, such as Clarks, Clarks Originals and Josef Seibel.

We have extensive sales channels through our network of Retail Outlets in Hong Kong, Taiwan and Macau. As at the Latest Practicable Date, we had a total of 98 Retail Outlets comprising 30 self-rented shops and 21 concessions in Hong Kong, eight self-rented shops and 37 concessions in Taiwan and two self-rented shops in Macau. During the three years ended 31 December 2012, revenue from our Retail Outlets accounted for approximately 83.4%, 85.4% and 87.5% of our total revenue, respectively. In addition to our Retail Outlets channel, we also sell our products to wholesale customers, such as footwear retail chain stores and department stores. Our revenue is recognised when products have been delivered to our wholesale customers and their unsold goods cannot be returned to us. As at 31 December 2010, 31 December 2011 and 31 December 2012, we had 90, 82 and 79 wholesale customers, respectively, and the revenue from our wholesale customers accounted for approximately 16.6%, 14.6% and 12.5% of our total revenue, respectively.

We strategically located our Retail Outlets and continuously search for suitable locations for new Retail Outlets that meet our strict selection criteria for business expansion. For concessions within department stores and shopping malls, we have maintained solid business relationships with department stores and shopping malls in Hong Kong and Taiwan. We have been invited by these department stores and shopping malls as anchor tenant when they opened new stores or when lettable floor space had

become vacated. Our strategic choice of location of all Retail Outlets (which are directly operated by our staff) enables us to implement brand positioning strategies and manage inventory effectively with the benefit of first-hand knowledge on customer preference.

We do not possess any manufacturing capacity and all of our products were end products supplied to us by suppliers who are Independent Third Parties. We believe that our asset-light business model enables us to focus our resources and efforts on brand promotion, sales management and business expansion, with the maintenance of a flexible cost structure.

Leveraging on our established licensed footwear brands, extensive Retail Outlets and strong relationship with our suppliers and department stores, we seek to expand our Retail Outlets to cover additional geographical areas, and in particular, the PRC market. We will also seek to expand the range of our footwear products and better cater to a wider and more diverse customer base by continuing to roll out new footwear products.

Our Group's revenue increased from approximately HK$365.8 million during the year ended 31 December 2010 to approximately HK$505.3 million during the year ended 31 December 2012, representing a CAGR of approximately 17.5%.

COMPETITIVE STRENGTHS

Our Directors consider that our Group has the following strengths:

Established business relationships with C&J Clark and Josef Seibel GmbH

We have well-established and stable business relationships with our major suppliers of footwear products of international brands. We have established business relationship with C&J Clark since 1974 and have been the retailer and exclusive distributor of C&J Clark in Hong Kong, Taiwan and Macau uninterruptedly since 1997. We have been authorised by Josef Seibel GmbH to act as its retailer and exclusive distributor in Hong Kong, Taiwan, Macau, the PRC, Thailand and Malaysia for more than five years (though we only operated our business in Hong Kong, Taiwan and Macau during our operating history and as at the Latest Practicable Date).

As at the Latest Practicable Date, we had entered into a distributorship agreement and an international franchise agreement with C&J Clark which granted us exclusive distribution rights and rights to open Retail Outlets under its brands, subject to the terms of the agreements, respectively, both for a term of five years and will expire on 31 December 2017. In addition, as at the Latest Practicable Date, we had entered into a distributorship agreement with Josef Seibel GmbH for a term of ten years which will expire on 31 December 2022. Our Group has established specialty Retail Outlets for both Clarks and Josef Seibel branded footwear products to raise the public awareness to the brands and carried these brands in our multi-branded Retail Outlets in prime locations and department stores to reach out to a wider customer base. Our Directors believe that our long established business relationships with C&J Clark and Josef Seibel GmbH, and our licensed rights for Clarks and Josef Seibel brands in the abovementioned regions allow us to manage and develop the brands with long term brand-building strategies.

A proven track record of successful brand introduction and commercialisation

Our success is mainly attributable to our ability to identify segments of the Hong Kong, Taiwan and Macau footwear market with growth potential. Through our operational experience of 38 years, we have accumulated the industry know-how and expertise for the efficient and successful operation of the complete branding process, from brand development to consumer behaviour. Being distributors of lifestyle comfort footwear products of international brands, such as Clarks and Josef Seibel, we have benefited from existing market recognition and goodwill carried by these brands. Our Directors believe that the recognition of these names by our customers allows us to position products of these brands with premium pricing. We have established a platform which combines our competitive strength in brand introduction with comprehensive functional capabilities including logistic arrangements, inventory control, human resources, distribution and sales management.

Our Directors believe that the careful positioning and management of each brand and sales channel, and the offering of products which highlights each brand's unique style and image, have enabled us to capture an increasing market share and helped us maximise our revenue while avoiding competition among our brands. Our experience in brand positioning and management has also enabled us to respond faster to the rapidly changing footwear market, such that we are able to source and launch new brands and footwear products to the market to capture new opportunities.

Extensive sales network with strategic coverage in Hong Kong and Taiwan

As at the Latest Practicable Date, our Group's footwear products were sold through our established sales network where we had 98 Retail Outlets comprising 51 Retail Outlets in Hong Kong, 45 Retail Outlets in Taiwan and two Retail Outlets in Macau. In addition, we also had 77 wholesale customers comprising 50 wholesale customers in Hong Kong and 27 wholesale customers in Taiwan as at the Latest Practicable Date. In both Hong Kong and Taiwan, we are able to secure prime retail locations for most of our Retail Outlets. They are generally situated in shopping districts, department stores or shopping malls with high consumer traffic that attracts a steady flow of customers. In Taiwan, our Retail Outlets covered some of the major cities, such as Taipei, Taichung and Kaohsiung. Our wholesale customers also have their own sales network, which enhance the public awareness of our products and complement our sales network.

Experienced management team

We have an experienced management team led by Mr. Chu, our Vice Chairman and executive Director, who has over 38 years of experience in the footwear industry and possesses extensive experience and expertise in trading and footwear retail and wholesale business. In addition, each of Mr. Dominic Chu and Mr. Haeta Chu has over 10 years of experience in the footwear industry and business management, respectively. Under the leadership of Mr. Chu, our Group has grown since its establishment in 1974. As at 31 December 2010, 2011 and 2012, our Group operated a total number of 82, 89 and 102 Retail Outlets in the region of Hong Kong, Taiwan and Macau, respectively. Apart from retail business, our management team also has a solid relationship with our

wholesale customers in Hong Kong and Taiwan. As at 31 December 2010, 31 December 2011 and 31 December 2012, our Group had a total of 90, 82 and 79 wholesale customers in Hong Kong and Taiwan, respectively. Our Directors believe that, with the support of our Group's management team, we will be able to improve our footwear retail and wholesale markets in Hong Kong, Taiwan and Macau.

BUSINESS STRATEGIES

Our objectives are to maintain and strengthen our position as an established retailer of lifestyle comfort footwear of international brands with headquarter based in Hong Kong, and to maximise shareholder value through the following strategies:

Expand our retail network

Hong Kong and Taiwan

We believe expansion of our existing retail network is crucial to increasing our market share and coverage. We plan to expand our retail network by increasing the number of Retail Outlets, thereby enabling us to further penetrate into our existing markets. We intend to open an addition of approximately 8, 11 and 16 Retail Outlets in Hong Kong and Taiwan in each of the years ending 31 December 2013, 2014 and 2015. We intend to improve the layout of the Retail Outlets, increase the area of Retail Outlet and sales per square metre, and enhance the quality of service in our Retail Outlets.

The table below sets forth the number of Retail Outlets that we currently intend to open in Hong Kong and Taiwan (subject to further changes according to local sales results and economic conditions), and the expected average expenditure for a typical self-rented shop or concession in the years ending 31 December 2013, 2014 and 2015, respectively.

	For the year ending 31 December								
	2013			2014			2015		
	Number of concessions	Number of self-rented shops	Total	Number of concessions	Number of self-rented shops	Total	Number of concessions	Number of self-rented shops	Total
Number of Retail Outlets:									
Hong Kong	1	3	4	1	3	4	2	4	6
Taiwan	4	—	4	7	—	7	10	—	10
Total	5	3	8	8	3	11	12	4	16
Estimated expenditure per Retail Outlet *(HK$ million)*[Note 1]									
Hong Kong	0.4	0.8		0.4	0.9		0.4	0.9	
Taiwan	0.3	N/A		0.3	N/A		0.3	N/A	
Approximate expected average payback period per comparable Retail Outlet *(years)*[Note 2]	1	1.5		1	1.5		1	1.5	
Approximate expected average breakeven period per comparable Retail Outlet *(months)*[Note 2]	2 to 6	6 to 9		2 to 6	6 to 9		2 to 6	6 to 9	

Notes:

1. The expected expenditure per Retail Outlet included fitting-out costs and initial inventories required for the opening of such Retail Outlet.

2. Approximate expected average payback and breakeven periods per comparable Retail Outlets are based on historical data and management's experience on the comparable Retail Outlets.

The total planned expenditure for our network expansion in Hong Kong and Taiwan is expected to be approximately HK$4.0 million, HK$5.2 million and HK$7.9 million for each of the three years ending 31 December 2013, 2014 and 2015, respectively. Our Directors believe that the net proceeds from the Global Offering will be sufficient to cover all costs of our current expansion plan.

The PRC

We also believe expansion is necessary to capitalise on the increasing spending power of our potential customers in the PRC. We intend to introduce our Josef Seibel branded footwear products in Shanghai, the PRC, by establishing around four Retail Outlets in the year ending 31 December 2013, and to expand our retail network to other provinces or cities in the PRC, such as Nanjing and Beijing, by establishing an addition of 12 and 15 Retail Outlets in the years ending 31 December 2014 and 2015, respectively. We believe that such provinces and cities have a growing population of middle-class consumers with growing demand for lifestyle comfort footwear products.

The table below sets forth the number of Retail Outlets that we currently intend to open in the PRC (subject to further changes according to local sales results and economic conditions), and the expected average expenditure for a typical self-rented shop or concession in the years ending 31 December 2013, 2014 and 2015, respectively:

	For the year ending 31 December								
	2013			2014			2015		
	Number of concessions	Number of self-rented shops	Total	Number of concessions	Number of self-rented shops	Total	Number of concessions	Number of self-rented shops	Total
Number of Retail Outlets:									
Shanghai	4	—	4	7	—	7	7	—	7
Nanjing	—	—	—	3	—	3	2	—	2
Beijing	—	—	—	1	—	1	4	—	4
Others	—	—	—	1	—	1	2	—	2
The PRC	4	—	4	12	—	12	15	—	15
Estimated expenditure per Retail Outlet *(HK$ million)*[Note 1]									
The PRC	0.3	N/A		0.3	N/A		0.4	N/A	
Approximate expected average payback period per comparable Retail Outlet *(years)* [Note 2]	1	N/A		1	N/A		1	N/A	
Approximate expected average breakeven period per comparable Retail Outlet *(months)*[Note 2]	2 to 6	N/A		2 to 6	N/A		2 to 6	N/A	

Notes:

1. The expected expenditure per Retail Outlet included fitting-out costs and initial inventories required for the opening of such Retail Outlet.

2. Approximate expected average payback and breakeven periods per comparable Retail Outlets are based on historical data and management's experience on the comparable Retail Outlets.

With the international recognition and goodwill carried by the Josef Seibel brand, it would differentiate us from the local footwear products retailers. It would allow us to capture the huge customer base and penetrate into the retail and wholesale footwear market in the region.

Under the latest distributorship agreement entered into between C&J Clark and us in August 2012, we are authorised to sell to the duty free shop, an Independent Third Party, in Hainan province, the PRC. We intend to do so by the end of 2013. Accordingly, we did not record any sales in the PRC during Track Record Period. Apart from our Group, C&J Clark has established its sales network in the PRC through distributor(s) and franchisee(s), which to the best knowledge of our Directors are Independent Third Parties.

The estimated average expenditure per new Retail Outlet in the PRC for specialty Retail Outlet under the Josef Seibel brand, taken into account the fitting-out costs and initial inventories required for the opening of such Retail Outlet, would be approximately HK$0.3 million per concession.

To prepare for our business expansion into the PRC, we have recruited a general manager, who has more than 15 years of experience in business development including the PRC market, to oversee our PRC operations. Our management team together with our general manager have, from time to time, conducted researches for our entry to PRC market and in particular market acceptance of Josef Seibel branded footwear products. Such researches have made references to official materials published by governmental bodies, reports issued by professional institutions and other information available online and in the market. In addition, we have also engaged qualified PRC lawyers to ensure compliance with the applicable laws, rules and regulations.

From the operational perspective, while we maintain similar retail business model by selling and distributing the footwear products in concessions, we will recruit approximately two to three experienced staff for each new Retail Outlet and thus we could benefit from their experience in the PRC retail and footwear industry. Daily management of the Retail Outlets is delegated to their managers who report to our chief executive officer from time to time. Our management and staff in Hong Kong will be responsible for business strategies, overseeing the merchandise planning and allocation, inventory management and distribution, and marketing for the PRC Retail Outlets.

The total planned expenditure for our network expansion in the PRC is expected to be HK$1.2 million, HK$4.0 million and HK$5.4 million for each of the three years ending 31 December 2013, 2014 and 2015, respectively. Our Directors believe that the net proceeds from the Global Offering will be sufficient to cover the costs of our current expansion plan.

Our Directors consider that there will be sufficient demand for our new Retail Outlets planned to be opened in the PRC, based on (i) the historical growth in revenue attributable to the sales of Josef Seibel branded footwear products of our Group at CAGR of approximately 77.2% during the Track Record Period which mainly due to the brand's acceptance by the PRC visitors in Hong Kong and Taiwan; (ii) the estimation that the retail market as a whole in the PRC will grow at CAGR of approximately 9.1% from 2012 to 2017 in terms of sales value according to Euromonitor. Please refer to the section headed ''Industry Overview — The PRC — Fast Growing Retail Sales in the PRC'' in this prospectus for further details; (iii) our Directors' estimation of the demand for lifestyle comfort footwear products of international brands for 2013 to 2015; and (iv) the enhanced marketing, sales and promotion strategies, such as promoting our brands in social networking websites, set out following this section, which will further strengthen our brand image and recognition.

The major considerations of our expansion plan are (i) the population density, potential growth of customer and performance of competitors around the target location; and (ii) weights of the rentals against the sales projection of the next three years of such Retail Outlets at target location.

The key operating cost component of our expansion plan is rental expenses. Our Group manages the operating costs by (i) closing down Retail Outlet when it is not profitable or the lease/concession agreement of which cannot be renewed with favourable

terms upon its expiry, (ii) opening concessions of ''turnover based'' rents instead of self-rented shops of high fixed rental charge to reduce rental pressure during business downturn; and (iii) imposing stringent cost saving measures such as reducing staff costs.

The major factors of our Group's expansion plan which will affect our cash flows and liquidity position are capital expenditures and rental expenses. The total expected cash outflow for opening four Retail Outlets in the PRC in financial year 2013 is HK$1.2 million which is not significant to our Group's liquidity position. Moreover, the expected average breakeven periods of these new Retail Outlets are two to six months which is not expected to cause significant impact to our Group's cash flows and liquidity position. In light of the above, our Directors are of the view that the expansion plan of our Group will not cause adverse material impact on our cash flow and liquidity position.

The actual number, location and timing of new Retail Outlet openings and timing for the launch of any additional services in any period will be affected by a number of factors and subject to a number of uncertainties. We may make necessary adjustments to the number, location and timing of planned openings of Retail Outlets, in order to optimise our liquidity status, depending on the then existing market conditions, expected payback and breakeven periods, and necessary costs of preparation for the relevant Retail Outlets. Please refer to the sections headed ''Risk Factors — Risks Relating to Our Business — If our expansion plan proves to be unsuccessful, or if we fail to obtain sufficient funding for our expansion plans, our business and growth prospects may be adversely affected'' and ''Risk Factors — Risks Relating to Our Business — Our planned expansion into new markets in the PRC may not be successful'' in this prospectus.

Enhance our marketing and promotion strategies

We focus on growing the market share of our footwear business in Hong Kong and Taiwan. As an established retailer of lifestyle comfort footwear products in Hong Kong and Taiwan, we believe that our success is to a large extent dependent on our extensive retail network. To strengthen our position as a market leader, we intend to focus our marketing efforts on promoting the public awareness of our brands and footwear products.

We plan to concentrate our advertising and promotional efforts to further develop our brands. We plan to enhance our brands image by adopting a multi-channel advertising strategy. In addition to traditional advertising channels such as printed media advertising, we intend to increase our television advertising on free or paid television networks. We intend to enhance internet advertising such as promoting our bands in social networking websites which we believe will help us gain access to a wider customer base. We also intend to participate in industry and trade shows to promote our brands and products in order to increase the recognition of our brand management and sales network management as well as attracting potential new wholesale customers.

Improve the same store sales growth of our Retail Outlets

In order to improve the same store sales growth of our Retail Outlets, we plan to (i) increase the average purchase price per customer per visit; (ii) increase the conversion ratio of consumers out of the total number of visitors at our Retail Outlets; and (iii)

maintain our loyal customer base. We plan to recruit, train and maintain high quality sales and customer service representatives. We intend to revisit the positioning and image of our brands, and conduct whole-scale upgrade of the interior design and decoration of our Retail Outlets every two to three years and regularly change our product display. To maintain and expand our loyal customer base, we plan to expand our VIP member program by targeting specific groups, such as professional associations, university alumni associations, etc, and the enhancement of bonus schemes and birthday offers and the continuance of text message services informing loyal customers of new products, events or promotional periods.

Diversify and expand our brand portfolio and product offerings

We will continue to leverage on our established position in the footwear industry, extensive retail network and significant marketing experience as a foundation for promoting some new international footwear brands and new product lines under our licensed brands that we might introduce in the future.

For instance, we will introduce women footwear products of a new international brand in mid 2013. We will optimise our product mix by increasing sales of footwear products with competitive prices in order to reach a wider market base and raise our profile. The summer footwear line of products are designed for the younger generation. We believe that the diversifying and expanding of our brand portfolio and product offerings will strengthen our reputation as an established retailer of lifestyle comfort footwear products.

Continue to attract and retain talented and experienced personnel

We believe that our success depends upon our ability to hire and cultivate experienced, motivated and well trained members of our management team, as well as employees at all levels with appropriate expertise and dedication to us. We intend to recruit sales staff or talented personnel, who will bring fresh perspectives to our business and culture. Experienced sales staff is also vital to our continuing growth as a retail enterprise. We will continue to offer to our staff competitive compensation packages, a dynamic entrepreneurial and caring corporate culture and the opportunity for staff to grow with our business. We will also continue to invest in training programs for our staff.

Investment in information technology and logistic infrastructure

We intend to continue investing in our infrastructure and information systems to improve our operating performance. We believe continued investment in information systems will enhance our operating efficiency in areas such as merchandise planning and allocation, inventory management, distribution, labour management and POS performance.

The ability to swiftly distribute products to our Retail Outlets and accurately monitor the level and location of our inventory are vital to our business. Our management information systems and logistics have enabled us to better administer and maneuver our footwear products. All of our Retail Outlets are linked with our POS system which allows us to capture extensive sales and inventory data on a timely basis. To monitor the progress and status of product turnover, we are integrating our Hong Kong, Taiwan and Macau POS system. We believe that the logistics and management information system will enable our management to receive information with respect to movements of our products at all of our Retail Outlets and at our warehouses, thereby allowing us to more efficiently plan for our logistics arrangements. Our improved management information system should allow us to reduce logistics bottlenecks and improve the overall efficiency of our supply chain.

BRANDS AND PRODUCTS

The details of major brands operated by our Group and the salient terms of their agreements is set out in the following:

Clarks

Brand description

- Clarks is an international renowned footwear brand owned by C&J Clark with a history of over 188 years and originated from the United Kingdom

- Clarks offers a wide range of functional and comfortable footwear products for men, women and children. A new technology, namely, ''Clarks Plus'', targets to maximise foot comfort with a dual density cushioning system

- The ultimate holding company of C&J Clark is C&J Clark Limited. C&J Clark Limited, together with its subsidiaries, (the ''**C&J Clark Group**'') is principally engaged in shoe manufacturing, retailing and wholesaling, and related trades. Based on C&J Clark Limited's annual report and financial statements for the year ended 31 January 2013, which are publicly available and have been prepared under the UK GAAP, the directors of the C&J Clark Group have a reasonable expectation that the C&J Clark Group have adequate resources to continue in operational existence for the foreseeable future. C&J Clark Group is a profit making company. For the year ended 31 January 2013, (i) the turnover of the C&J Clark Group increased by approximately 4.6% and amounted to approximately GBP1,463.9 million; (ii) the profit of the C&J Clark Group for the financial year increased by approximately 5.6% and amounted to approximately GBP81.9 million; and (iii) the cash flow from operating activities of the C&J Clark Group amounted to GBP107.2 million (2012: GBP68.0 million). Furthermore, as at 31 January 2013, (i) the cash at bank and in hand of the C&J Clark Group amounted to GBP84.5 million (2012: GBP108.9 million); and (ii) the net assets of the C&J Clark Group amounted to GBP471.2 million (2012: GBP424.2 million).

Salient terms of the distributorship agreement	• Rights: exclusive right to purchase footwear from C&J Clark for resale in authorised territories (with nil consideration) • Authorised territories: Hong Kong, Taiwan and Macau • Additional rights: to sell Clarks products to the duty free shop in Hainan province • Current term: 1 July 2012 to 31 December 2017 • We need to satisfy certain minimum purchase requirement for the year 2013, with an incremental percentage of approximately 6%, 5%, 5% and 4% for each of the year from 2014 to 2017, respectively. • We need to open three Retail Outlets for each of the year during the term of the agreement *(Note)*
Salient terms of the international franchise agreement	• Rights: exclusive right to open and operate Clarks Retail Outlets in the authorised territories • Authorised territories: Hong Kong, Taiwan and Macau • Current term: 1 July 2012 to 31 December 2017. We have the right to require an extension of the rights for a further five years, until 31 December 2023, provided that we have substantially observed and performed the provisions of the agreement, including meeting the minimum purchase requirement • We need to satisfy certain minimum purchase requirement for the year 2013, with an incremental percentage of approximately 6%, 5%, 5% and 4% for each of the year from 2014 to 2017, respectively • We need to open three Retail Outlets for each of the year during the term of the agreement

Note:

As of 31 December 2011, the number of newly opened specialty Retail Outlet of Clarks and Clarks Originals had already exceeded the aggregate minimum new outlet requirements stipulated under the agreements for the years 2011 and 2012.

Termination provisions of the distributorship agreement

C&J Clark may terminate the agreement on 12 months' written notice to us in the following circumstances:

- if we are in breach of any term of the agreement and fails to remedy the breach having been given a reasonable time in which to do so; or
- if we fail to place the minimum purchase requirement or fails to open the new Clarks Retail Outlets in any year; or
- if C&J Clark is of the opinion that we are not creating adequate sales coverage throughout the authorised territories or not holding adequate stock to service customers promptly provided that instead of terminating the agreement C&J Clark may in these circumstances convert this exclusive distributorship into a non-exclusive distributorship for the authorised territories; or
- if there is a significant change in the controlling shareholding or ownership or control of our Group which in the reasonable opinion of C&J Clark is likely to adversely affect the business' generated by the agreement; or
- if we without prior written consent of C&J Clark purchase products for resale or wholesale in the authorised territories from any other footwear company or offer for sale in the authorised territories any terms of footwear incorporating any features of the Clarks SKUs or which in C&J Clark's reasonable opinion are similar to or may be confused with the Clarks SKUs.

Termination provisions of the international franchise agreement

If our Group:

- fails to open its first Clarks Retail Outlet within the period of six months from the date of the agreement (i.e. by 9 February 2013) unless C&J Clark is satisfied that the reasons are outside our control; or
- fails to make payment of any sums owing by us to C&J Clark within 30 days of written notification being provided to us by C&J Clark that such sum is outstanding; or
- brings the trade name ''Clarks'' into disrepute; or
- commits an act of bankruptcy, becomes insolvent or makes a proposal to its creditors, or if a petition in bankruptcy or liquidation is filed against our Group, or if a receiving order is made against our Group, or our Group takes or attempts to take advantage of any law now or hereafter in effect for the relief of debtors, or if a receiver or other custodian (permanent or temporary) of any assets of our Group or of any shares in the capital of our Group is appointed by private instrument or by court order, or if execution or similar process is levied against any such assets or shares, or if distress or other analogous process is made against any of our Group's assets; or
- assigns or purports to assign the agreement or any of the rights granted by the agreement otherwise than in accordance with the terms of the agreement; or
- is convicted of a criminal offence or act involving dishonesty; or
- fails to comply with the minimum new outlet requirement and/or the minimum purchase requirement in any year unless C&J Clark agrees, at its entire discretion, to waive its rights because the reasons for failure are beyond our control; or

- neglects or fails to perform or observe any of the other agreements or conditions on its part to be performed or observed under the agreement and fails to remedy such default neglect or failure (where capable of remedy) to C&J Clark's satisfaction within 30 days after written notice of the default from C&J Clark provided however that in the case of persistent default neglect or failure our Group shall not be entitled to any period of grace within which to remedy any default neglect or failure.

Then C&J Clark may terminate the agreement by giving written notice to our Group and all rights, including our rights under the international franchise agreement, of our Group shall cease at that time and the termination process (including the sell-down of remaining inventories and termination or surrender of shop leases) shall commence immediately. It is mutually understood between C&J Clark and our Directors that the entire termination process shall take approximately 12 months.

If the default is in relation to minimum new outlet requirement and/or minimum purchase requirement C&J Clark may convert such right to non-exclusive in the authorised territories.

History with our Group	We have a long established business relationship with C&J Clark for over 20 years, during which we had not failed to perform up to the satisfaction of C&J Clark or committed any material breach of the agreements. In view of the strong relationship and our past record, our Directors believe that we will continue to perform the franchise agreement and distributorship agreement by meeting the development and minimum purchase requirement and other terms of the agreements to the satisfaction of C&J Clark. When approaching the expiry of the distributorship and international franchise agreements entered into between our Group and C&J Clark in 2017, we will discuss with C&J Clark to renew the relevant agreements. The renewal of our exclusive distribution rights granted under the relevant agreement is subject to negotiation with C&J Clark. C&J Clark may only grant distribution rights to our Group. However, the Sole Sponsor has obtained written confirmation from one member of senior management of the C&J Clark Group that there would be no major obstacles in renewing the agreements, including the exclusive distribution rights, given the fact that the Group has been complying with the major terms and conditions set out in the previous and current agreements, which the Group is expected to continue doing so before their expiry in 2017 and in light of our well-established relationship with the C&J Clark group since 1974. Nonetheless, in the event that any of our agreements with C&J Clark is not being renewed, the whole termination process (including the sell-down of remaining inventories and termination or surrender of shop leases) will take up to a year to complete in an orderly manner.
Suggested retail price of Clarks branded footwear	Generally ranged from HK$300 to HK$4,200 in the year 2012









Josef Seibel Josef Seibel
The European Comfort Shoe

Brand description

- Josef Seibel brand was originated from Germany and is one of Europe's longest established shoe manufacturers producing shoes since 1886

- Josef Seibel brand is owned by Josef Seibel GmbH which produces extensive, stylish ranges of shoes, sandals, boots and clogs for women and men. Josef Seibel has developed footwear technologies, such as Air Massage Footbed (氣流按摩鞋墊) and Top Dry Tex (快速乾爽技術), which aim to increase the level of comfort of its products

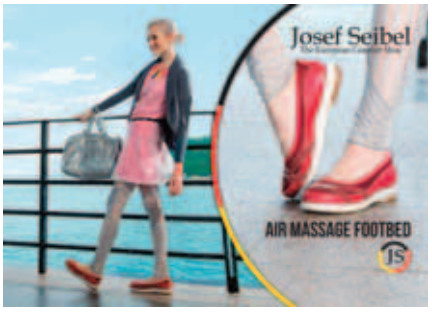
Salient terms of the distribution agreement	• Rights: exclusive right to sell and market Josef Seibel branded products in the authorised territories (with nil consideration). We were also given the right to customise, source and finalise Josef Seibel branded products in the PRC for the authorised territories and the right to use the trademarks ''Josef Seibel'', ''The European Comfort Shoe'', ''Airmassage'' and ''Airped'' • Authorised territories: Hong Kong, Taiwan, Macau, the PRC, Thailand and Malaysia (though we have not yet commenced any sale of Josef Seibel branded footwear products in the PRC, Thailand and Malaysia as at the Latest Practicable Date) • Current term: 1 December 2012 to 31 December 2022
Major termination provisions of the distribution agreement	Josef Seibel GmbH has the right to terminate the agreement by giving a 12 months' written notice if: (i) we are in breach of any material terms of the agreement and fail to rectify within 60 days of written notice given by Josef Seibel GmbH; or (ii) there is a material change in our management and we fail to rectify the situation within 60 days of written notice given by Josef Seibel GmbH
History with our Group	Josef Seibel GmbH has been supplying footwear products to us since 2004 under normal commercial purchase arrangements. We entered into a formal distribution agreement with Josef Seibel GmbH in 2004 for a term of five years and was further extended for another five years and 10 years in 2007 and 2012, respectively
Suggested retail price of Josef Seibel branded footwear	Generally ranged from HK$500 to HK$1,900 in the year 2012

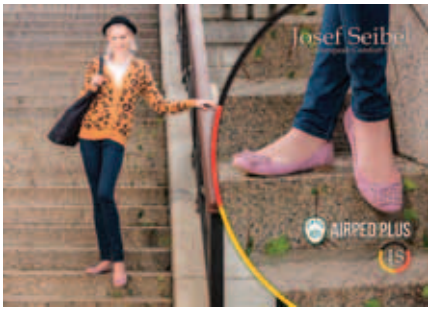
Particulars of business plan with Josef Seibel ***(Note)***

Suggested purchase requirement (in pairs of footwear)	No suggested minimum purchase requirement
Suggested minimum cumulative total number of outlets opened by end of year requirement	Suggested to maintain the minimum number of Retail Outlets at (i) 17, 20, 22 and 25 in Hong Kong; and (ii) 11, 15, 25 and 30 in Taiwan, from 2012 to 2015, respectively

Note:

No minimum purchase requirement or minimum new outlet requirement is stipulated under the agreements entered into between our Group and Josef Seibel. With reference to our Group's business plan agreed with Josef Seibel, there are non-legally binding terms on suggested purchase requirement and suggested minimum cumulative total number of outlets opened by end of year.









The Flexx The FLEXX

Brand description	• The Flexx is an international renowned footwear originated from the Italy
Salient terms of the agent and distribution agreement	• Rights: exclusive right to sell and market The Flexx branded footwear products in authorised territories (with nil consideration)
	• Authorised territories: Hong Kong, Taiwan, Macau and the PRC
	• Current term: 1 October 2010 to 31 December 2015
	• We are required to satisfy the minimum purchase requirement of:
	(i) certain amount fixed for 2012 with an incremental percentage of approximately 100%, 30%, 30% from 2013 to 2015, respectively, in Hong Kong and Taiwan; and

(ii) certain amount fixed for 2012 with an incremental percentage of approximately 300%, 87.5% and 233% from 2013 to 2015, respectively, in the PRC*(Note)*

Major termination provision of the agent and distribution agreement	Pursuant to agent and distribution agreement, Ka & Ka shall have the right to terminate the agreement by written notice, if we fail to meet the minimum purchase requirement and subsequently fail to rectify the situation in a timely manner
History with our Group	The Flexx has been supplying footwear to us since 2010 under normal commercial purchase arrangements. We entered into a formal distribution agreement with The Flexx in 2010 for a term of five years
Suggested retail price of The Flexx branded footwear	Generally ranged from HK$700 to HK$2,000 in the year 2012

Note:

Our Group has not commenced any business in the PRC as at 31 December 2012. Upon discussion with The Flexx, a waiver from strict compliance with the minimum purchase requirement in the PRC for the year ended 31 December 2012 was granted to us. We may introduce The Flexx to the PRC market via wholesale channels in the year 2013.





Yokono and Yokono K

Brand description	Yokono brand was originated from Spain, which mainly focuses in producing causal and walking shoes

Salient terms of the distribution agreement	• Rights: an exclusive right to sell and distribute Yokono and Yokono K branded products in the authorised territories (with nil consideration) • Authorised territories: Hong Kong, Taiwan, Macau and the PRC • Current term: 1 January 2012 to 31 December 2015 • We are required to satisfy the minimum purchase requirement of certain amount fixed for 2013 with an incremental percentage of approximately 50% and 33% for each of the year from 2014 to 2015, respectively
Major termination provision of the distribution agreement	Yukon S.L. has the right to terminate distribution agreement by giving written notice if we fail to satisfy the minimum purchase requirement and fail to obtain content from Yukon S.L.
History with our Group	We entered into a formal distribution agreement with Yukon S.L. in 2012 for a term of three years
Suggested retail price of Yokono branded products	Generally ranged from HK$450 to HK$2,000 in the year 2012





Streetcars streetcars

Brand description	• Streetcars brand was originated from United States and is owned by the Streetcars, Inc., which mainly focuses in producing leisure footwear for men
Salient terms of the distribution agreement	• Rights: to sell and distribute Streetcars products within the exclusive territories and non-exclusive territories (with nil consideration)

	• Exclusive territories: Hong Kong and Macau • Non-exclusive territories: Malaysia, Singapore, Taiwan, Indonesia and PRC • Current term: 13 October 2008 to 13 October 2013 • We are required to satisfy the minimum purchase requirement of certain amount fixed for 2009 with an incremental percentage of approximately 73%, 51%, 26% and 24% for each of the year from 2010 to 2013, respectively *(Note)*
Major termination provisions of the distribution agreement	Pursuant to the distributorship agreement, the agreement shall be terminable or shall terminate, if: • we breach of any terms and conditions of the agreement and fail to remedy within 30 days • we cease to operate as a business by filing or petition for dissolution, insolvency or bankruptcy • we fail to make payment as required under the agreement • we undergo any merger, consolidation or a change of ownership
History with our Group	We entered into a formal distribution agreement with Streetcars in 2004 for a term of four years which was subsequently renewed in 2008
Suggested retail price of Streetcars branded products	Generally between from HK$300 to HK$700 in the year 2012

Note:

Due to the business strategies of Streetcars, Inc. for its operation in Asia Pacific, a waiver from strict compliance of all minimum purchase requirements during the contractual term was granted to us.





Our purchases during the Track Record Period

Clarks

For the three years ended 31 December 2010, 2011 and 2012, we purchased approximately 383,100 SKUs, 439,600 SKUs and 448,700 SKUs from C&J Clark which represented approximately 3%, 14% and 12% above the minimum purchase requirements for the same periods, respectively, stipulated under our relevant distributorship agreement and international franchise agreement with C&J Clark.

Josef Seibel

For the three years ended 31 December 2010, 2011 and 2012, we purchased approximately 54,000 SKUs, 88,000 SKUs and 162,900 SKUs from Josef Seibel GmbH, respectively.

The Flexx

For the year ended 31 December 2012, we purchased approximately 19,800 SKUs in Hong Kong and Taiwan from Ka & Ka which represented approximately 9% above the minimum purchase requirement for Hong Kong and Taiwan for 2012 stipulated under our distribution agreement with Ka & Ka.

Yokono and Yokono K

For the year ended 31 December 2012, we purchased approximately 5,500 SKUs from Yukon S.L. which represented approximately 9% above the minimum purchase requirement stipulated under our distribution agreement with Yukon S.L. for 2013.

Streetcars

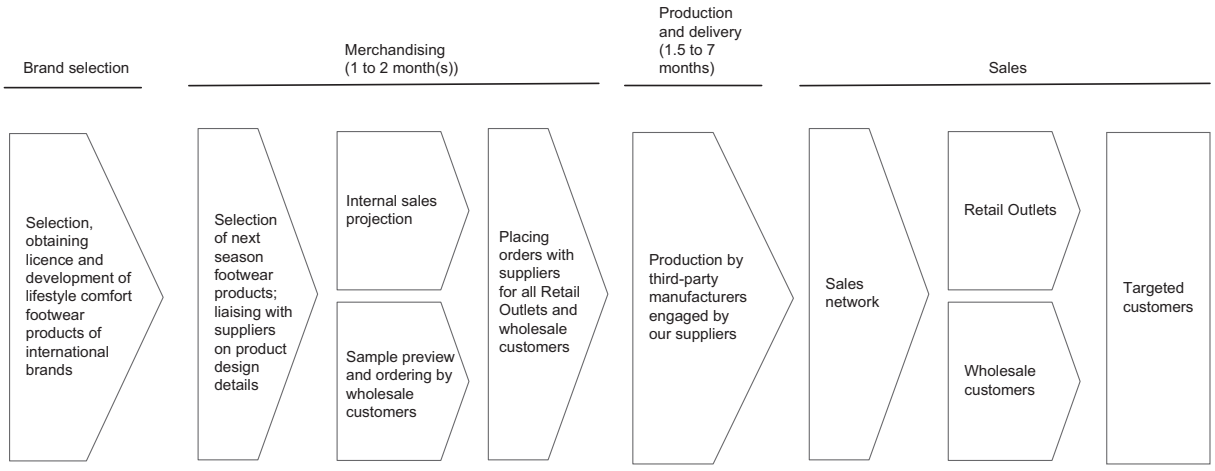
For the three years ended 31 December 2010, 2011 and 2012, we purchased approximately 19,400 SKUs, 14,600 SKUs and 21,100 SKUs from Streetcars, Inc., respectively.

Our Retail Outlets selling licensed brands have been recognised by the following award:

Year of grant	Award/Certificate	Awarding body
Since 2002	Certification Mark upon ''Retail Shops'' Category under the Quality Tourism Services Scheme	The Hong Kong Tourism Board

OUR BUSINESS MODEL

The following diagram illustrates our asset-light business model that integrates our retail and wholesale businesses:



Brand selection

For new brand, we would normally select them by (i) attending different international trade fairs; and (ii) our industry experience and connection in the footwear industry. Once our purchasing and logistics department shortlisted the potential brands, they would be put forward and approved by our management. Our representative would then approach the brands to discuss plans for business cooperation. Our management often adopts a prudent approach when introducing new brands or engaging new suppliers. We normally purchase a limited volume of footwear for one to two seasons to test the market. We would only enter into long term supply agreements of not less than three years with our suppliers of footwear products for exclusive or non-exclusive sale and distribution rights

of products in our area of operation. When selecting a new brand, we mainly consider (i) the reputation and image of the brand; (ii) the design and quality of the products; and (iii) the number of SKUs available for selection.

We are not required to pay any fees to any of our existing suppliers in obtaining or renewing our distributorship or franchise.

Product selection

Based on our market research on the upcoming footwear trend and our experience in the footwear industry, we are able to select the products with features and design that well suited for our markets. Our purchasing and logistics department, which is led by Mr. Haeta Chu who oversees our product selection process, works with our suppliers to provide feedbacks on product design prior to the launch of new products in the upcoming seasons for the Asian markets. For instance, our senior management was invited to attend to the head office of C&J Clark in London for product preview and offer comments on product designs for every upcoming season during the Track Record Period. Some designs of Josef Seibel branded products for distribution in Asia markets are finalised between our purchasing and logistics department and the PRC manufacturers engaged by Josef Seibel GmbH, which are Independent Third Parties. We select products based on our understanding of market trends from time to time and long-term brand positioning strategies.

Placing orders

Once the products have been selected, our purchasing and logistics team, based on the internal sales forecasts (which were prepared according to previous year figures as well as projected market trends), would work out the internal ordering for our retail operation. We will also arrange our wholesale customers to preview the sample SKUs and obtain their feedback on the styles and number of SKUs to order. After that, we will finalise the total number of SKUs to be ordered with the suppliers for the upcoming seasons.

All of our products are supplied as finished products by our suppliers, which are all Independent Third Parties. Normally, from the placing of orders to our supplier to the delivery of the products to our warehouses would take approximately six weeks to seven months, depending on the SKUs and the size of orders.

Production and delivery

Generally, our suppliers deliver products directly to our warehouse in Hong Kong. Our products are stored mainly in our central warehouses. We send the products from our Hong Kong warehouses to our warehouse in Taiwan and our Retail Outlets in Macau. Our warehouses are furnished with humidity and temperature control system to maintain the quality of our products. From our warehouses to Retail Outlets, we transport our products by our logistics team and other logistics companies engaged by our Group.

SALES NETWORK

We are more inclined to our footwear retail business. The split between our retail and wholesale businesses was approximately 87.5% and 12.5%, respectively, for the year ended 31 December 2012.

The following table sets out the revenue derived from our retail and wholesale businesses for each of the three years ended 31 December 2012:

	Year ended 31 December					
	2010		**2011**		**2012**	
	(HK$'000)	*(%)*	*(HK$'000)*	*(%)*	*(HK$'000)*	*(%)*
Hong Kong						
Retail	274,231	75.0	312,499	66.1	339,830	67.3
Wholesale	56,424	15.4	57,335	12.2	53,686	10.6
Taiwan						
Retail	19,912	5.4	76,797	16.3	87,354	17.3
Wholesale	4,268	1.2	11,470	2.4	9,635	1.9
Macau						
Retail	11,011	3.0	14,342	3.0	14,784	2.9
Wholesale	—	—	—	—	—	—
Total	365,846	100	472,443	100	505,289	100

Retail business

As at the Latest Practicable Date, we had a total of 98 Retail Outlets, comprising 51 Retail Outlets located in Hong Kong, 45 Retail Outlets located in Taiwan and two Retail Outlets located in Macau. Our Retail Outlets were operated under two sales concepts: (i) multi-branded Retail Outlets; and (ii) specialty Retail Outlets, with the following trade names:

Multi-branded Retail Outlets

S.Culture S.CULTURE

Concept: S.Culture are operated under the concept of selling trendy in-season of diversified range of footwear from different brands

Number of Retail Outlets: As at the Latest Practicable Date, we operated 57 Retail Outlets under the name of S.Culture, of which 22 were located in Hong Kong, 33 Retails Outlets were located in Taiwan and two were located in Macau

shoe mart shoe mart

Concept: shoe mart are operated under the concept of selling diversified range of footwear from different brands of mostly previous seasons at a discounted price of approximately 50% of the suggested retail price. Generally, none of our Group's footwear products were sold below cost

Number of Retail Outlets: As at the Latest Practicable Dates, we operated 10 Retail Outlets under the name of shoe mart, all of which were located in Hong Kong

SCOOPS

Concept: SCOOPS are operated under the concept of selling diversified range of footwear from different brands targeting at the younger population

Number of Retail Outlet: As at the Latest Practicable Date, we operated two Retail Outlets under the name of SCOOPS and all of which were located in Hong Kong

Specialty Retail Outlets

The specialty Retail Outlets of our Group mainly offer products from a single licensed brand which is considered by our Group as popular and successful in the market and has the ability or potential for separate development as a stand-alone brand. Details of our specialty Retail Outlets are as follow:

Clarks	Concept: Founded in the 1820s aiming to introduce more comfort materials to its footwear. The Retail Outlets operated under the name of Clarks offers only Clarks and Clarks Originals branded footwear products Number of Retail Outlets: As at the Latest Practicable Date, we operated 18 Retail Outlets under the name of Clarks, of which seven were located in Hong Kong and the remaining 11 Retails Outlets were located in Taiwan *(Note)*
Clarks Originals	Concept: Founded in the 1940s aiming to revive and replicate iconic styles and inspire customers with new looks. The Retail Outlets operated under the name of Clarks Originals offers mainly Clarks Originals branded footwear products with a small mix of Clarks footwear products Number of Retail Outlets: As at the Latest Practicable Date, we operated three Retail Outlets under the name of Clarks Originals, of which two were located in Hong Kong and one was located in Taiwan *(Note)*
Josef Seibel	Concept: The Retail Outlets operated under the name of Josef Seibel offers only Josef Seibel branded footwear products Number of Retail Outlets: As at the Latest Practicable Date, we operated eight Retail Outlets under the name of Josef Seibel of which all were located in Hong Kong

Note:

As at the Latest Practicable Date, 11 out of the 20 Retail Outlets operating under the trade name of Clarks and Clarks Originals were subject to the restriction of selling Clarks branded footwear products only under their respective leases/concession agreements.

The following table sets out our Group's turnover categorised by trade name of Retail Outlets for each of the three years ended 31 December 2012:

	Year ended 31 December					
	2010		2011		2012	
	(HK$'000)	*(%)*	*(HK$'000)*	*(%)*	*(HK$'000)*	*(%)*
S.Culture	202,455	66.3%	245,890	60.9%	258,261	58.5%
Clarks	71,596	23.5%	109,898	27.2%	119,507	27.0%
Clarks Originals	17,369	5.7%	26,445	6.6%	24,447	5.5%
Josef Seibel	—	0.0%	888	0.2%	10,106	2.3%
shoe mart	12,748	4.2%	19,413	4.8%	25,759	5.8%
SCOOPS	986	0.3%	1,104	0.3%	3,888	0.9%
Total	305,154	100%	403,638	100%	441,968	100%

Retail Outlets

Our Retail Outlets generally can be classified into two categories: (i) self-rented shops; and (ii) concessions.

Self-rented shops

Self-rented shops are the premises occupied by our Group by way of tenancy or leasing arrangements for conducting sales activities. We collect sale receipts by ourselves for each transaction. Save for one self-rented shop in Hong Kong, all self-rented shops of our Group are leased from the Independent Third Parties. For details, please refer to the section headed ''Connected Transactions'' in this prospectus. The terms of our leases generally range from one to five years.

Concessions

Concessions are the sales counters or sales areas operated or occupied by our Group in various department stores or shopping malls based on the concession agreements entered into between our Group and the relevant department stores or shopping malls. Our Group employs sales staff responsible for the daily operations of our concessions.

In Hong Kong and Taiwan, the duration of the concession agreements entered into between our Group and the relevant department stores or shopping malls generally ranges from six months to 24 months subject to renewal or extension upon expiration. Generally, the concession agreements in Hong Kong and Taiwan may be terminated by the operators of the department stores or shopping malls if our Group is in breach of terms of the agreement. During the Track Record Period, our Group had not experienced any early termination of the concession agreements as a result of any breach of the concession agreement.

In both Hong Kong and Taiwan, the concession fees paid by our Group were generally equal to the higher of a minimum monthly charges or a certain percentage of the gross turnover of the monthly sales made by such concession.

In addition to rent and concession fee, the landlords and the operators of the department stores and shopping malls also charge us building management fees for common area maintenance.

The following table sets out the revenue categorised by revenue generated from sales made in self-rented shops and concessions for the three years ended 31 December 2012:

	Year ended 31 December								
	2010			2011			2012		
	Number of Retail Outlets	*(HK$'000)*	*(%)*	*Number of Retail Outlets*	*(HK$'000)*	*(%)*	*Number of Retail Outlets*	*(HK$'000)*	*(%)*
Self-rented shops	36	199,279	65.3%	40	239,515	59.3%	44	254,319	57.5%
Concessions	46	105,875	34.7%	49	164,123	40.7%	58	187,649	42.5%
Total	82	305,154	100%	89	403,638	100%	102	441,968	100%

Opening and closure of our Retail Outlets

During the Track Record Period, we observed and considered the following for opening and closing of Retail Outlets:

- when we consider opening a new Retail Outlet, we would (i) review on ease of access for our customer, population density, potential growth of customer, and vehicle traffic and proximity and performance of competitors nearby the target location in that area; and (ii) weigh the rental against the sales projection of the next three years of a particular Retail Outlet;

- we closed down some Retail Outlets when they were not profitable or, could not be renewed with favourable terms upon expiry of the lease. At times, due to the development plan of the shopping malls where our Retail Outlets located, the shopping malls did not renew the lease with us upon expiry; and

- during Track Record Period, we had nil in 2010, one lease agreement in 2011, and one lease agreement and one concession agreement in 2012 that were terminated before their respective expiry dates in Hong Kong, Taiwan and Macau. We do not incur any additional expenses from our early termination under these lease or concession agreements that would otherwise cause adverse financial effects to our business operations.

The following table sets forth the breakdown and changes in the number of Retail Outlets during the Track Record Period (by location):

	Number of Retail Outlets as at 31 December												
	2009	Opening	Closure	2010	Opening	Closure	2011	Opening	Closure	2012	Opening	Closure	As at the Latest Practicable Date
Self-rented shops													
— Hong Kong	27	4	4	27	8	6	29	6	2	33	1	4	30
— Taiwan	0	6	0	6	3	1	8	0	0	8	0	0	8
— Macau	3	0	0	3	0	0	3	0	0	3	0	1	2
Subtotal	30	10	4	36	11	7	40	6	2	44	1	5	40
Concessions													
— Hong Kong	17	2	4	15	3	1	17	6	2	21	0	0	21
— Taiwan	0	31	0	31	4	3	32	5	0	37	0	0	37
— Macau	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	17	33	4	46	7	4	49	11	2	58	0	0	58
Total	47	43	8	82	18	11	89	17	4	102	1	5	98

The following table sets forth the breakdown and changes in the number of Retail Outlets during the Track Record Period (by trade name):

	Number of Retail Outlets as at 31 December												
	2009	Opening	Closure	2010	Opening	Closure	2011	Opening	Closure	2012	Opening	Closure	As at the Latest Practicable Date
S.Culture	30	32	5	57	7	9	55	7	2	60	0	3	57
Clarks	6	10	1	15	4	1	18	0	0	18	1	1	18
Clarks Originals	2	1	0	3	1	0	4	0	0	4	0	1	3
Josef Seibel	0	0	0	0	3	0	3	5	0	8	0	0	8
shoe mart	8	0	2	6	3	1	8	3	1	10	0	0	10
SCOOPS	1	0	0	1	0	0	1	2	1	2	0	0	2
Total	47	43	8	82	18	11	89	17	4	102	1	5	98

The following table summarises the expiry dates of each lease/concession agreement as at the Latest Practicable Date (by location and its nature of rent charged[(1)]):

Period that relevant expiry dates fall under	Self-rented shops			Concessions		
	Hong Kong	Taiwan	Macau	Hong Kong	Taiwan	Macau
On or before 30 June 2013[(2)]	—	—	—	3 (T)	—	—
1 July 2013–30 September 2013[(3)]	2 (F)	2 (F)	—	2 (T)	22 (T)	—
1 October 2013–31 December 2013	3 (T)	1 (F)	—	4 (T)	—	—
1 January 2014–31 March 2014	1 (F) 2 (T)	1 (F)	1 (F)	5 (T)	12 (T)	—
1 April 2014–30 June 2014	2 (F) 2 (T)	2 (F)	—	5 (T)	1 (T)	—
1 July 2014–30 September 2014	3 (F) 2 (T)	—	—	—	1 (F) 1 (T)	—
1 October 2014–31 December 2014	3 (F) 1 (T)	1 (F)	—	1 (T)	—	—
1 January 2015–30 June 2015	2 (F) 3 (T)	—	—	1 (T)	—	—
1 July 2015–31 December 2015	3 (T)	—	—	—	—	—
1 January 2016–31 December 2016	1 (T)	1 (F)	1 (T)	—	—	—
Total	13 (F) 17 (T)	8 (F)	1 (F) 1 (T)	21 (T)	1 (F) 36 (T)	—

Notes:

1. For presentation purpose under this table, the abbreviations ''F'' and ''T'' would be adopted for respectively ''fixed'' and ''turnover based'' rents as charged under these lease/concession agreements. ''Turnover based'' rents represent concession fees of a higher amount between a contingent rent as a percentage of revenue and a specified fixed rent, depending on the specific terms of the relevant concession agreements.

2. As at the Latest Practicable Date, we had renewed three of the lease and concession agreements.

3. As at the Latest Practicable Date, we had renewed six of the lease and concession agreements.

For the remaining leases and concessions which shall expire in 2013, we will consider whether to renew such leases and concessions based on the considerations set out under the section headed ''Business — Sales Network — Retail Outlets — Opening and closure of our Retail Outlets''. We do not have any leases or concessions agreements that provide for an increase in rent during the remaining lease terms after the Track Record Period. The aggregate amount of fixed rent for concessions in 2013 is approximately HK$22.4 million. Taking into account that (i) we had renewed most of our leases/concession agreements during the Track Record Period; and (ii) the renewal of our concession agreements is unconditional our Directors do not foresee any difficulty in renewing the remaining leases and concessions which shall expire in 2013.

Wholesale business

As at the Latest Practicable Date, we had a total of 77 wholesale customers, comprising 50 wholesale customers in Hong Kong and 27 wholesale customers in Taiwan. Our wholesale customers are typically department stores or footwear retail chain stores with their own established local sales networks. We recognise our sales to wholesale customers when products have been delivered to our wholesale customers and their unsold goods cannot be returned to us. For the three years ended 31 December 2012, we generated through our wholesale customers sales of approximately HK$60.7 million, HK$68.8 million and HK$63.3 million, respectively, representing approximately 16.6%, 14.6% and 12.5% of our total sales during the relevant years. To avoid competition between our Retail Outlets and the retail points of our wholesale customers, our Retail Outlets are located in different department stores or shopping malls where our wholesale customers' retail points operate. We believe that by collaborating with the wholesale customers to sell our products, we are able to benefit from leveraging their own distribution channels and resources.

We had maintained business relationships with most of our wholesale customers during the Track Record Period and have been dealing with many of them for more than five years. Our Directors believe that in line with the usual industry practice, we do not enter into any long term sales agreements with our wholesale customers, while they are required to submit purchase orders to us for every season with all the specifications as to type, style and quantity of footwear products required. Although we do not have direct control over the pricing policy of our wholesale customers, we usually recommend a retail price to our wholesale customers. Our Directors believe that such arrangement is consistent with the market practice in Hong Kong and Taiwan.

We typically sell our products on credit and grant most of our wholesale customers a credit terms ranging from 30 days to 60 days depending on a number of factors, such as their credit history and scale of operation. During the Track Record Period, we did not experience any material bad debts, nor experience any significant difficulties in collecting our trade receivables from our wholesale customers.

Other than business relationship described above, save for United Overseas Sundry Goods in Taiwan which was controlled by CN Fashion, there were no other relationships (including family or employment relationships) between us, our Directors, our substantial shareholders, our senior management or any of our or their associates on the one hand, and the wholesale customers or any of their respective associates, each of which is an Independent Third Party, on the other hand during the Track Record Period.

PRICING AND DISCOUNT POLICY

Our profitability depends on the competitiveness of our products in terms of prices. The following factors are taken into consideration in determining the retail prices of our products:

- cost incurred from our orders to suppliers;
- retail prices of similar products in the market;
- market positioning of our products;
- features and designs of our products; and
- anticipated market trends and demand.

Our Group, as a distributor, can determine the retail or wholesale prices and no minimum selling prices would be set by the suppliers. Our standard pricing policy generally applies to all Retail Outlets across the same geographical region. For our wholesale customers, we usually offer a discounted rate to the suggested retail price. In our Retail Outlets, we offer discounts from time to time, and the range of discounts is formulated by our sales team and management in accordance with seasonality, inventory turnover rate and market trends. In addition to our above strategic sales, we would participate in promotional activities organised by department stores where our concessions are located.

SALES RETURN POLICY AND WARRANTY

As our personnel in warehouses and Retail Outlets are responsible for conducting sample check on the quality of products before delivery or sales, we normally would not accept goods return unless due to manufacturing defects. Our sales team is trained to deal with any complaints that may arise from retail customers, including the verification of any alleged defects in our products. For our wholesale customers, on receiving notification of defective goods, and upon verification by our relevant staff that such damages or defects were as a result of manufacturing faults, we would arrange exchange

of products with the wholesale customers for the whole batch of damaged or defective products. We do not allow any return of unsold or obsolete products from our wholesale customers. Subsequently, we would inform the relevant supplier for the reimbursement of the same amount to us with or without delivering those damaged or defective products to the suppliers. In each of the three years ended 31 December 2012, the total amount of returned goods by our customers (wholesale and retail) was less than 0.5% of our total revenue. Based on past experience, our Directors consider that the level of goods return was insignificant and no provision on goods return had to be made during the Track Record Period.

MARKETING AND PROMOTION

We have designed our marketing strategies and tactics tailored to our targeted customers who prefer international brands of lifestyle comfort. We pursue a direct in-store marketing strategy which focuses on in-store product presentation in a stylish, attractive and consistent manner. Through the use of consistent product displays, window displays and furnishings at our Retail Outlets, we seek to raise public awareness of the relevant brands. We believe that this in-store marketing approach is more cost-effective than non-specific mass promotion because we strategically position our Retail Outlets within department stores and shopping malls, that already capture the flow of our targeted customers. We also benefit from the reputation and marketing activities of the department stores and shopping malls in which we operate our Retail Outlets.

By the following promotional activities, we have strengthened the reputation of our brands:

- **Distribution of product catalogues**

  To promote the latest designs from our seasonal collections, we print product catalogues and posters that are designed to attract customers to our Retail Outlets.

- **Seasonal promotions and discounts**

  We offer discounts on selected merchandise for a limited promotional period. We also participate in promotional campaigns organised by department stores or shopping malls to take advantage of the higher number of consumers visiting the stores or malls.

- **Media advertising**

  We advertise our products on billboards and in magazines to raise brand awareness among our targeted consumers.

- **VIP card programme**

  We have launched a VIP card programme for some of our brands. Our VIP cardholders enjoy a discount for each purchase of products, and special discounts on selected dates for purchases of the brand.

SEASONALITY

Our business is seasonal in nature due to customer spending patterns, with increased sales generally recorded during holiday periods or festive seasons. For example, we typically experience higher sales during the Christmas, the Chinese New Year, the New Year, the Labour Day and the National Day holiday week. Accordingly, we believe that it is not meaningful to rely on the comparison of revenue and results of operation across different periods of a given year as an indicator of our performance. Our sales and inventory levels are therefore affected by the corresponding changes in consumer behaviour due to seasonality effects.

SUPPLIERS

Our major suppliers are our licensed brands and their respective manufacturers. For the three years ended 31 December 2010, 2011 and 2012, the aggregate purchases from our Group's five largest suppliers accounted for approximately 91.6%, 91.4% and 80.6% of our total purchases, respectively. For the relevant years, the purchases from our single largest supplier accounted for approximately 81.8%, 82.9% and 71.3% of our total purchases, respectively.

Reliance on our largest supplier

We consider that it is commercially beneficial to build up a close and long-term business relationships with our suppliers. For the three years ended 31 December 2010, 2011 and 2012, we had relied on the supply of footwear products from C&J Clark, which accounted for approximately 81.8%, 82.9% and 71.3% of our total purchases, respectively. Please refer to the section headed ''Risk Factors — Risk Relating to Our Business — We rely on our distribution agreements with various suppliers, including C&J Clark, and Josef Seibel GmbH, in relation to our branded footwear products'' in this prospectus. With our efforts to diversify our footwear supply during the Track Record Period, and in particular, the year ended 31 December 2012, our purchases from other licensed brands had increased.

While we endeavour to maintain our established business relationship with C&J Clark, we identify new brands and new product lines under our existing brands in the course of our brand and product selection process in order to expand our choice of suppliers and broaden our revenue stream. Notwithstanding that, We believe and anticipate the sales portion to be derived from branded footwear products other than Clarks branded footwear products will gradually increase through our diversified product mix and geographical expansion as, in addition to our new specialty Retail Outlets for Clarks branded footwear products, we also plan to open new specialty Retail Outlets for Josef Seibel and The Flexx branded footwear products and introduce new brands in 2013

and 2014. During the Track Record Period, the aggregate sales generated by other licensed branded footwear products excluding sales of Clarks branded products increased from 5.9% to 15.5% of our total sales. Our Directors believe that our long and stable business relationship with C&J Clark will not deteriorate to an extent which will cause our agreements with C&J Clark be terminated. Notwithstanding that, in the event any of our agreements with C&J Clark has to be terminated, which will also lead to the termination of our exclusive distribution right, our Directors believe that our Group will have sufficient time to shift gradually our business focus to other branded footwear products after considering (i) the whole termination process (including the sell-down of remaining inventories and termination or surrender of shop leases) will take up to a year to complete in an orderly manner; (ii) the existing and projected number of multi-branded and specialty Retail Outlets that are carrying other branded footwear products; (iii) the required time for merchandising to production and delivery of other branded footwear products; (iv) the increasing revenue generated by the sales of other branded footwear products during the Track Record Period; and (v) the adequacy of supply of inventories from suppliers of other branded footwear, taking into account of their scales of production and sales worldwide, to replace the number of SKUs historically provided by C&J Clark. For details of our future plans, please refer to the section headed ''Future Plans and Use of Proceeds'' in this prospectus.

To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors or any Shareholders of our Company, who owns more than 5% of the share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue, nor any of their respective associates, has any interest in any of the five largest suppliers of our Group for each of the three years ended 31 December 2012. During the Track Record Period, all suppliers of our Group were Independent Third Parties.

CUSTOMERS

Our wholesale customers are typically local department stores or footwear retail chain stores. Our retail customers, are mainly members of the public or tourists in Hong Kong, Taiwan and Macau. During the Track Record Period, our sales to our five largest customers (including retail and wholesale customers) accounted for approximately 8.7%, 7.8% and 6.3% of our total revenue for the three years ended 31 December 2010, 2011 and 2012, respectively. For the three years ended 31 December 2010, 2011 and 2012, the sales to our single largest customer accounted for approximately 4.7%, 4.2% and 3.6%, of our revenue, respectively. During the Track Record Period, all customers of our Group were Independent Third Parties.

To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors or any Shareholders of our Company, who owns more than 5% of the share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue, nor any of their respective associates, has any interest in any of the five largest customers of our Group for each of the three years ended 31 December 2012.

MANAGEMENT INFORMATION SYSTEM

Our management information system is intended to improve efficiency in the management of our supply chain, sales, inventory control and logistics. Currently, our Retail Outlets are linked to our central headquarters through the POS system, which facilitates timely and accurate data management. This allows us to collect information regarding customer purchase and monitor customer preferences and make timely assessments on market trends. Our POS system also enables us to closely monitor inventory levels and transaction patterns at each of our Retail Outlets, providing vital information which we can use to facilitate responsive reallocation of stocks.

During the Track Record Period, we had not experienced any incidents of malfunction of any part of our management information system which materially affected our operations. To ensure that our performance and service standards keep pace with our expanding retail network, we plan to improve our system to manage the information flow along the supply chain, the Retail Outlets and the logistics centre.

INVENTORY CONTROL AND LOGISTICS

We utilise a computerised inventory management system which are installed in our Hong Kong headquarters. It allows us to track the inventory level and movement of our SKUs on a timely basis. Our inventory management system also records specific information in respect of our inventory such as stock description, prices and sales on an individual Retail Outlet. Each SKU in our Retail Outlets is coded with a unique bar code, and details of such items will be instantly displayed on the screen of our cashiers' counters when scanned through a barcode scanner. All information on checked out merchandise is stored in our information technology systems and available to our head office daily.

Reports regarding inventories movements and sales progress could be generated for management's review. Our Group is able to assess the purchasing patterns of our customers, identify the best or more popular items, review the sales performance and analyse sales by seasonal and geographical factors. Our Group is able to make informed decisions on issue regarding sales strategies, marketing and promotion, ordering and purchasing strategies effectively. In order to reduce the building up of aged inventory, we have established chain stores under the brand ''shoe mart'', which is operated using the concept of selling footwear products from different brands mostly of previous seasons at a discounted price of approximately 50% of the suggested retail price. Generally, none of our Group's footwear products were sold below cost. We would also conduct seasonal sales or promotional sales at all our Retail Outlets to reduce inventory and make room for new products. In some cases, when we noticed certain SKUs which were not turning as estimated, we would allow additional discount on these SKUs other than seasonal sales or promotional sales periods.

We also have internal protocols over every stages of the inventory cycle which consists of stock-in, stock-out, transfer between Retail Outlets, and physical inventory count and safeguarding of our inventories.

Stock-in

Generally, purchase order is made every six months. Once approved by our management, the purchasing and logistics department will send the purchase order summary (with consolidated number of SKUs required and shipping request) to our suppliers for placement of the purchase order.

When the goods arrive at the warehouse, the warehouse staff first cross check the carton, quantity and details of the goods with the supplier's delivery notes. The warehouse staff then match the purchase order with the delivered goods to ensure the correct goods have been delivered. For any discrepancy, the warehouse staff will inform the relevant staff in the purchasing and logistics department, where claims will be applied to suppliers for wrong or insufficient shipment. If the delivered goods are correct, the goods will be checked in to the warehouse by marking and scanning the goods to update the inventory record. After scanning the goods, a goods receipt list is generated and signed by the warehouse staff at the time of receipt.

Stock-out

For any goods to be shipped out from the warehouse, the shoe department will send sales order confirmation to the warehouse department to arrange for packing of the required goods. Manager of the warehouse department will approve the sales order confirmation and staff will approve the quantity and details of goods as shown on the packing list. Prior to the delivery of goods, they will double check using a bar code machine to ensure that the goods are ready to deliver to the wholesale customers or Retail Outlets. Meanwhile, a delivery note will be prepared for the shoe department, where the manager of the shoe department will approve the delivery document to ensure that the delivery quantity and details are in accordance with the sales order confirmation. Once confirmed, a sales invoice will be issued to the wholesale customers, but no sales invoice will be issued for our Retail Outlets.

Upon delivery and checking of the quantity and quality of the goods, the wholesale customer will sign or chop on the sales invoice to acknowledge receipt. For Retail Outlets, the shop manager or other staff will check the quantity and details of the goods delivered and sign on the goods delivery note for acknowledgement. For goods exporting to our Taiwan branches, the warehouse keeper will weigh the goods and use that weight as reference. Upon receipt of goods in Taiwan warehouses, our relevant personnel will weigh the goods again to ensure the quantities are accurate.

Transfer between Retail Outlets

In cases where a transfer of goods between Retail Outlets is required, the salesman from shop A will scan the barcode of the goods and generate the delivery notes from the POS system. The delivery notes will usually be approved by the shop manager. Upon receipt of the goods by shop B, the sales staff from shop B is required to sign on the delivery notes and update our POS system to acknowledge receipt.

Physical inventory count

Prior to September 2012, our warehouses and each Retail Outlet carried out physical inventory count every March, July and November. After September 2012, our warehouses and each Retail Outlet would carry out physical inventory count every June and December. With our inventory management system, the head office in Hong Kong is able to monitor and keep track of the movement of the inventory and the sales progress in each location, and can more effectively adjust the inventories of each location to meet customer demand.

Safeguarding of inventory

In order to safeguard our inventory, all inventory is stored in secured area. Security systems and CCTV surveillance are installed to prevent access of any unauthorised personnel to our warehouses.

Inventory turnover days

The following table sets forth our average inventory turnover days for the periods indicated:

	For the year ended 31 December		
	2010	**2011**	**2012**
Average inventory turnover days[(1)]	229.4	192.0	225.5
Average inventory turnover days at Retail Outlets[(2)]	187.0	180.8	188.5

Notes:

1. Average inventory turnover days equal to the average inventory divided by cost of goods sold and multiplied by 365 days. Average inventory equals inventory at the beginning of the year plus inventory at the end of the year divided by two.

2. Average inventory turnover days at Retail Outlets equal to the average inventory at Retail Outlets divided by the respective cost of goods sold multiplied by 365 days. Average inventory at Retail Outlets equal to average inventory at Retail Outlets at the beginning of the year plus inventory at the Retail Outlets at the end of the year divided by two.

Our Directors believe that our footwear products by nature are not fast-moving and have a relatively long product life cycle. Our inventory turnover days are in line with the industry norm.

We have not experienced, and our Directors believe that we will not experience, inadequate supply of products from C&J Clark after placing orders. Our Directors consider that there would not be material adverse impact to our business operations if C&J Clark fails to supply adequate products in the future as our management reviews our inventory

level regularly and we maintain an inventory level of approximately six months which allows sufficient time for us to order from other footwear brands to replace such deficiency.

For detailed analysis on our inventory level, please refer to the section headed ''Financial Information — Inventories'' in this prospectus.

Provision for inventories

At the end of each season, our management review the sales of each of the SKUs in order to identify and make provision for obsolete and slow-moving inventories of our footwear products on a case by case basis. As at 31 December 2010, 31 December 2011 and 31 December 2012, the provisions for obsolete inventories amounted to approximately HK$1.8 million, HK$7.0 million and HK$2.4 million, respectively.

Our management manages slow moving inventories by performing assessment on allowance for inventories at the end of each reporting period. The assessment on allowance for inventories was performed by reviewing the marketability of each SKU. The marketability of each SKU was determined by our management with the consideration of factors including current year sales, subsequent sales and product design of the particular SKU under review matching with the current footwear market fashion trend. At the end of each reporting period, our management had generated stock lists containing each SKU from the POS system to perform such review. Allowance of inventories amounting to approximately HK$1.8 million, HK$7.0 million and HK$2.4 million were made as at 31 December 2010, 2011 and 2012, respectively, as the management considered the marketability of the pertaining SKUs to be low.

During the Track Record Period, included in the inventory balance of approximately HK$90.5 million as at 31 December 2010, approximately HK$14.6 million and HK$9.1 million were aged over one year but less than two years and over two years, respectively. Included in the inventory balance of HK$94.5 million as at 31 December 2011, approximately HK$10.7 million were those aged over one year but less than two years. Based on our management's review, those aged over one year were still marketable with reference to the current year sales and subsequent sales, and the product designs of these SKUs matching with the current footwear fashion trend. Our Directors considered that no further allowance was necessary for these SKUs.

During the year ended 31 December 2012, allowance for inventories amounted to approximately HK$4.6 million was reversed upon subsequent sales at or above their original costs plus direct selling expenses. Allowances for these SKUs had been made by our management during the year ended 31 December 2011 on the consideration that these SKUs had no marketability given their designs were not marketable as well as nil current year sales or subsequent sales were noted. However, inventories amounting to approximately HK$4.6 million were mostly sold in warehouse sales held during the year ended 31 December 2012 at significantly lower selling prices than Retail Outlets, while warehouse sales are not regularly launched by our Group. For inventory balance of HK$125.9 million as at 31 December 2012, approximately HK$12.2 million were aged over one year but less than two years. Based on our management's review, those aged

over one year were still marketable with reference to the current year sales and subsequent sales, and the product design of these SKUs matching with the current footwear fashion trend. Our Directors considered that no further allowance was necessary for these SKUs.

Our Directors and the Sole Sponsor are of the view that the bases of the allowance made for inventories as that the end of the Track Record Period was considered reasonable and adequate. Our Directors also believe that our inventory management policies are effective.

QUALITY CONTROL

We have implemented quality control procedures to ensure the quality of our footwear products. When there are products delivered to our warehouses, our staff of purchasing and logistics department would conduct sample checks. If the damaged or defective goods were discovered at our warehouse, the whole batch of damaged or defective goods of footwear products would not be despatched to our Retail Outlets or wholesale customers. Upon notifying and receiving confirmation from the relevant supplier for the damaged or defective footwear, the whole damaged or defective batch would be hole-punched and set aside to be destroyed. We would then liaise with the relevant supplier for the reimbursement for the whole batch of damaged or defective goods.

Our store personnel at each Retail Outlet would check the quality of our footwear products upon delivery and before selling to our customers. As at 31 December 2012, we did not have a separate quality control department. However, four members of our purchasing and logistics staff who possessed an average of over five years of relevant experience would inspect the quality of our products in our warehouses.

CASH MANAGEMENT

Due to the nature of our Group's business, the sales generated by our Group are settled by cash, credit card or easy payment system (EPS).

Concessions in department stores and shopping malls

The sale receipts of our Group are generally collected by the operators of the department stores or, in Taiwan case, shopping malls on behalf of our Group. They will subsequently settled with our Group within one month after deducting rental fee and other expenses. Furthermore, the relevant department stores and shopping malls will issue a sales report to our Group on a monthly basis which enables our Group to cross check with the relevant monthly sales records maintained by our Group. Any discrepancies between our Group's sales records and that of the department stores or shopping malls are reconciled to ensure that the sales records maintained by our Group and the relevant department stores or shopping malls are consistent and correct. Revenue will be recognised when products are sold to the customers in the concessions.

To minimise the possible default risks regarding the settlement of the sales proceeds by the operators of department stores and shopping malls, our Group usually selects reputable department stores and shopping malls to set up our concessions. During the Track Record Period, there was no material internal deficiencies in our cash management system, significant lost amount of cash by embezzlement, theft or robbery, or difficulty in collecting sales proceeds from the department stores or shopping malls.

Self-rented shops and some concessions

Payment by our customers at our Retail Outlets which are self-rented shops and some concessions located in the shopping malls are handled by our sales staff at our own checkout counters. We reconcile our cash proceeds received from our sales against receipts recorded in our POS system in all of our Retail Outlets on a daily basis, and we deposit our cash proceeds with banks before the next business day.

Since large amount of cash is involved on a daily basis, we adopt a stringent internal control procedure for handling cash in our Retail Outlets. Our daily cash proceeds are only handled by a designated personnel, who is normally the manager of each Retail Outlet, and surveillance cameras are set up in nearly all of our Retail Outlets to monitor the activities around the cashier counters. Through a centralised computer system, we monitor and conduct daily checks on our cash proceeds against the records of deposit of cash from the bank and sales reports. Our Directors are of the view that there were no material internal deficiencies in our cash management system during the Track Record Period.

We have also purchased insurance against loss by theft or robbery for cash held at our Retail Outlets. As at the Latest Practicable Date, we had not experienced any significant loss of cash by theft or robbery.

COMPETITION

The footwear retail industry is highly competitive. Competition in this sector may increase because there are few barriers to entry. Our Group faces competition from a large number of local and international footwear retailers. These competitors can either operate in the form of a small scale retail stores, concessions in a department store or shopping mall, in areas where our Group is operating or intends to operate.

The major competition is other international footwear retail chainstores which have larger resources and operating size as compared with our Group and have sales network offering similar type of footwear products at similar price with similar quality in location which our Group has sales operations as well. Furthermore, our Directors also consider that these competitors would continue to expand their own sales network, and to introduce new and innovative products and new brands to enlarge their existing market shares in the areas of our operation as well.

Our Group has an established retail network in Hong Kong, Taiwan and Macau which our Directors regard as an indicator of our Group's success in business operation. Besides, our Retail Outlets increase the public awareness, competitiveness and

enhances customer loyalty to our Group's products in Hong Kong, Taiwan and Macau. In addition, our ability to offer quality and well known products under our authorised brands, such as Clarks and Josef Seibel, is also one of the competitive advantages of our Group. We believe that these factors offer our Group advantages over its competitors in securing competitive edge in retail and wholesale footwear market in Hong Kong, Taiwan and Macau. For details, please refer to the section headed ''Industry Overview — Competitive Analysis'' in this prospectus.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we owned a number of registered trademarks and had applied for certain trademarks. For details of all the registered trademarks or trademark applications of our Group, please refer to the section headed ''B. Further Information About Our Business — 2. Intellectual Property Rights'' in Appendix V to this prospectus.

Under the franchise agreements or distribution agreements, our suppliers of international branded footwear had authorised us to use the their intellectual property rights in promoting or marketing of their footwear products in the authorised territories.

We recognise the importance of protecting and enforcing intellectual property rights. As at the Latest Practicable Date, we were not aware of any material infringement of the intellectual property rights of our licensed brands. We believe that we have taken reasonable steps to prevent any infringement of our intellectual property rights.

EMPLOYEES

Directors and staff remuneration

We incurred staff costs of approximately HK$60.9 million, HK$85.2 million and HK$82.2 million for the three years ended 31 December 2012, respectively. Our Directors' remuneration amounted to approximately HK$8.5 million, HK$16.5 million and HK$7.2 million for the three years ended 31 December 2012, respectively. We review the performance of our employees annually and use such results in our annual salary review and promotion appraisal, in order to attract and retain talented employees.

Welfare contribution

Our Group operates a defined contribution mandatory provident fund retirement benefits scheme (the ''**MPF Scheme**'') under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of our employees in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made in accordance with the Mandatory Provident Fund Schemes Ordinance and are charged to the income statement 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 our Group in an independent administered fund. Our Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Pursuant to the applicable Taiwan laws and regulations, we are required to contribute to various mandatory benefits including labour insurance, health insurance and employee pension contribution for our employees in Taiwan.

Pursuant to the applicable Macau laws and regulations, we are required to contribute to the Macau Social Security Fund (Fundo de Segurança Social) and to transfer our liability for work related injuries to an insurance company authorised to operate in Macau.

Training and incentives for staff

As at the Latest Practicable Date, we had 312 sales staff, of which 187 were located in Hong Kong, 114 were located in Taiwan and 11 located in Macau. In addition to the basic salaries, we motivate our sales staff with incentive commission. In general, the commission scheme comprises two parts: (i) commissions based on the total sales figures achieved by the relevant Retail Outlets above the relevant weekly and monthly sales targets set by the management; and (ii) extra bonus based on the special sales target set by the management from time to time.

Our Group provides training programs to our sales staff, which cover topics such as shop operations, sales skills, presentation skills, service standard and product knowledge. The regional managers or branch managers at our specialty Retail Outlets which carry Clarks branded products may also have the opportunities to train with C&J Clark's trainers as arranged by C&J Clark from time to time. Our Directors believe that, through these training programs, our Group is able to enhance the quality of the services of its sales personnel and their sales performance.

Labour and safety matters

The health and safety is a major concern of our Group. We have implemented internal guidelines and reporting system for occupational health and safety related matters and trainings were provided on a regular basis to maintain or increase their awareness in this regard. Regarding the working environment for our sales personnel, most of the concessions are located in shopping malls or department stores in Hong Kong and Taiwan, and they all maintain good hygiene standard and a safe working environment for sales personnel and customers. Where appropriate, warning signs or notices are posted to draw the staff's attention of occupational safety especially when they are performing their duties in the warehouses or storage areas.

During the Track Record Period, our Group did not have any major safety incidents involving employees. We plan to continue adopting and improving the abovementioned measures so as to minimise the potential risk of injury or non-compliance with any relevant regulations in our areas of operation.

PROPERTY INTERESTS

As at the Latest Practicable Date, we owned five properties and one property in Hong Kong and Taiwan, respectively. Our owned properties are primarily used for office, workshop and car parking spaces purposes. The gross area of our self-owned properties ranges from approximately 1,330 sq.ft. to 7,282.58 sq.ft. for office purpose and approximately 2,436 sq.ft. to 12,376 sq.ft. for workshop purpose.

As at the Latest Practicable Date, we leased 35, nine and two properties in Hong Kong, Taiwan and Macau, respectively. Our leased properties and properties to be rented are primarily used or will be used as retail shops, warehouses and offices, and their leased areas range from approximately 129 sq.ft. to 6,109 sq.ft. whereas the term of our leases ranges from approximately one year to five years.

INSURANCE COVERAGE

Our insurance coverage includes employee insurance, property insurance and all risks insurance (which includes loss and theft of, and damage to property such as our inventories in our warehouse and retail shops). We review our insurance policies from time to time for adequacy in the breadth of coverage. Our Directors are of the view that our insurance coverage is in line with the general coverage in the industry and is adequate for our operations. As at the Latest Practicable Date, we had not made nor been the subject of any material insurance claims.

REGULATORY COMPLIANCE

Save as disclosed in the section headed ''Business — Non-compliance with the Companies Ordinance'' in this prospectus and based on confirmations from our Hong Kong legal advisers, Taiwan legal advisers and Macau legal advisers, our Directors have confirmed that our Group has obtained all requisite licences, permits or certificates necessary to conduct our operations in Hong Kong, Taiwan and Macau and has complied with all applicable laws and regulations as set out in the section headed ''Regulatory Overview'' in this prospectus as at the Latest Practicable Date.

Besides, based on the advice of Jun He Law Offices, our PRC legal advisers, our Directors have also confirmed that our Group is not aware of any particular licensing, approval or registration requirements in the PRC which regulate our Group's business, save for the setting up of a business entity and the obtaining of a business licence. As such, our Group does not expect there will be any legal impediment in obtaining the necessary approvals for its operation in the PRC.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any

member of our Group, that would have a material adverse effect on our results of operations or financial position. In particular, our Group had not been subject to any product liability claims.

NON-COMPLIANCE WITH THE COMPANIES ORDINANCE

During the due diligence process for the purpose of the Listing, it was discovered that we had not fully complied with the statutory requirements in sections 57B, 107, 111, 119 and 122 of the Companies Ordinance (the ''**Non-compliances**'').

The Non-compliances arose mainly because of a lack of professional advice from the past company secretaries and company auditors of our Hong Kong subsidiaries. Further, the directors of the relevant subsidiaries were not familiar with, and were not made aware of, the specific requirements of the Companies Ordinance during the material period. To avoid further non-compliances, we have taken additional measures to improve our corporate governance and internal controls to ensure full compliance with applicable rules and regulations. Please refer to the paragraph headed ''Internal control measures to prevent occurrence of non-compliance matters after the Listing'' below for further information.

Upon identification of the Non-compliances, our Group has taken steps to rectify the same where possible. Court applications were made to rectify all non-compliances with section 111 (which relate to the failure to hold annual general meetings) and section 122 (which relate to the failure to table audited accounts), save that certain non-compliances with section 122 have not been and cannot be rectified since the relevant accounts can no longer be found. As a result, most of the non-compliances with section 122 and all non-compliances with section 111 have been fully rectified.

However, non-compliances with sections 57B, 107 and 119 cannot be and have not been fully rectified. Our Hong Kong legal advisers have advised that unlike sections 111 and 122, there is no provision in the Companies Ordinance that confers jurisdiction on the court to order rectification of non-compliances with such sections.

According to the experience of our Hong Kong legal advisers, the Registrar of Companies in Hong Kong does not prosecute all cases of non-compliances with the Companies Ordinance. As at the Latest Practicable Date, there has not been any prosecution initiated against our Group or the then or current directors of our Hong Kong subsidiaries, nor has any of them been subject to any fine relating to the Non-compliances.

Besides, section 351A of the Companies Ordinance provides that an offence under the Companies Ordinance may be prosecuted only if the prosecution is initiated (amongst others) within 3 years after the commission of the offence. Therefore, Non-compliances committed in 2009 or earlier are time-barred unless those Non-compliances are continuous in nature.

Pursuant to the Deed of Indemnity, KTS International has further agreed to indemnify our Group against any direct damages, loss and liabilities arising from any and all of the Non-compliances as disclosed in this prospectus. As such, our Directors consider that the Non-compliances will not have a material impact on our Group's operation.

The details of the Non-compliances are set out below.

1. Section 111 of the Companies Ordinance

Contrary to section 111 of the Companies Ordinance, each of Kong Tai Sundry Goods, Cobblers and Shoe Mart Company, respectively, failed to hold annual general meetings in certain years. Under section 111, the company and every officer who is in default shall be liable to a fine of HK$50,000.

Name of subsidiary	Relevant year(s)	Rectification action
Kong Tai Sundry Goods	1974–1996 (except for 1986 and 1988)	Applications were made to the High Court of Hong Kong on 25 March 2013 for relief.
Cobblers	2010	With respect to Cobblers and Shoe Mart Company, court orders were granted on 15 April 2013 to call and hold general meetings of the companies respectively for the year 2010. With respect to Kong Tai Sundry Goods, an order was granted on 14 May 2013 to call and hold a general meeting for all the relevant years. In accordance with the court orders, general meetings of the companies were duly convened and were deemed to be the annual general meetings of the relevant companies for each of the relevant years. All non-compliances with section 111 have thus been fully rectified.
Shoe Mart Company	2010	

2. Section 122 of the Companies Ordinance

Contrary to section 122 of the Companies Ordinance, in certain years our Hong Kong subsidiaries failed to lay their audited accounts at their respective annual general meetings and/or failed to lay audited accounts made up to a date falling not more than nine months before the date of the annual general meeting. The maximum penalty in respect of each offence under section 122 is a fine of $300,000 and 12 months' imprisonment.

Name of subsidiary	Relevant year(s)	Rectification action
Kong Tai Sundry Goods	1974–1996, 2002, 2006–2009	In relation to Kong Tai Sundry Goods, the audited accounts for the years 1974 to 1980, 1982 to 1984, and 1989 to 1990 can no longer be found or prepared due to lapse of time. The failure to lay those accounts cannot therefore be rectified. With respect to Cobblers and Shoe Mart Company, applications were made to the High Court of Hong Kong on 25 March 2013 for an extension of time for laying all the relevant audited accounts. An application in relation to Kong Tai Sundry Goods was made on the same day for an extension of time for laying the relevant audited accounts where available. On 15 April 2013, orders were granted in relation to Cobblers and Shoe Mart Company to extend the time within which the accounts may be laid. With respect to Grand Asian and Advertiser's Media, similar applications were made on 2 May 2013. On 14 May 2013, orders were granted in relation to Kong Tai Sundry Goods and Advertiser's Media to table the relevant audited accounts at their respective general meetings. An order to the same effect was granted to Grand Asian on 30 May 2013. In accordance with the court orders, save for the lost audited accounts of Kong Tai Sundry Goods, all relevant audited accounts were laid before the general meetings of the relevant companies respectively. All non-compliances with section 122 have thus been fully rectified, save for the failure of Kong Tai Sundry Goods to lay the lost audited accounts. In any event, prosecution for failure to lay the lost accounts is time barred pursuant to section 351A of the Companies Ordinance.
Grand Asian	1996–2009	
Advertiser's Media	1997–2009	
Cobblers	2001–2010	
Shoe Mart Company	2006–2010	

3. Section 57B of the Companies Ordinance

Contrary to section 57B of the Companies Ordinance, the directors of Advertiser's Media and Kong Tai Sundry Goods failed to obtain general mandate before allotting shares on a non-pro rata basis on certain occasions. The maximum penalty for each of the directors in default is HK$50,000 and 6 months of imprisonment.

Name of subsidiary	Year(s) of occurrence	Status
Kong Tai Sundry Goods	1997, 2005	Not rectified but time barred pursuant to section 351A of the Companies Ordinance
Advertiser's Media	1996	

4. Section 107 of the Companies Ordinance

Contrary to section 107 of the Companies Ordinance, the annual return of Kong Tai Sundry Goods in 1994 failed to state sufficient particulars relating to its members and share capital. If a company fails to comply with section 107, the company and every of its officer shall be liable to a fine of HK$50,000 and a daily default fine of HK$700.

Kong Tai Sundry Goods has filed an amended form of the said annual return with the Companies Registry in Hong Kong on 29 May 2013 but the filing does not fully rectify this non-compliance. This non-compliance will however be time barred pursuant to section 351A of the Companies Ordinance if the Registrar of Companies in Hong Kong does not initiate any prosecution within three years from 29 May 2013.

5. Section 119 of the Companies Ordinance

Contrary to section 119 of the Companies Ordinance, our Hong Kong subsidiaries have failed to enter some of the minutes of their board meetings and/or general meetings in minute books. We understand from our Hong Kong legal advisers that our Hong Kong subsidiaries may be subject to criminal sanctions only in relation to section 119 non-compliances that occurred after the coming into effect of the Companies (Amendment) Ordinance 1990. If a company fails to comply with section 119, the company and every officer in default shall be liable to a fine of HK$10,000 and a daily default fine of $300. The following table sets forth the relevant section 119 non-compliances from 1990 onwards.

Name of subsidiary	Years of occurrence	Status
Kong Tai Sundry Goods	1990, 1991, 1993, 1994, 1996–2008	The relevant minutes of board meetings and/or general meetings cannot be found and thus rectification cannot be and has not been carried out. Prosecution of such non-compliances is time barred to the extent such non-compliances were committed more than three years ago and are not of a continuous nature. Although the Registrar of Companies in Hong Kong does have the right to impose fines, we are advised that the practical risk of our Hong Kong subsidiaries being prosecuted or penalised is low.
Grand Asian	1995–2008, 2011	
Advertiser's Media	1998–2008	
Cobblers	2001, 2004–2008	
Shoe Mart Company	2007, 2008	

INTERNAL CONTROL MEASURES TO PREVENT OCCURRENCE OF NON-COMPLIANCE MATTERS AFTER THE LISTING

In order to improve our corporate governance and to prevent recurrence of non-compliance in the future, our Group has adopted the following measures:

(1) we will appoint RHB OSK Capital as our compliance adviser upon Listing to advise our Group on compliance matters in accordance with Rule 3A.19 of the Listing Rules;

(2) our Directors and other members of the senior management of our Group attended trainings conducted by our Company's Hong Kong legal advisers on 23 February 2013 on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the Securities and Futures Ordinance and the Listing Rules;

(3) an independent internal control adviser has been appointed to perform a detailed evaluation of the adequacy and effectiveness of our internal control system, and to recommend action plans for improvements in areas (which include compliance functions) under their review;

(4) we have designated Mr. Chow Wing Hang, John (our Company Secretary) as our compliance officer to assist our Board to identify, assess and manage the risks associated with our operation from time to time to ensure due compliance of laws, rules and regulations applicable to our Group;

(5) an audit committee with written terms of reference in accordance with Appendix 14 to the Listing Rules have been established since 11 June 2013 to review the internal control systems and procedures for compliance with the requirements of the Listing Rules and the Companies Ordinance;

(6) our Company Secretary and compliance officer will act as the principal channel of communication between members of our Group and our Company in relation to legal, regulatory and financial reporting compliance matters of our Group as well as the chief coordinator to oversee the internal control procedures in

general. Upon receipt of any queries or reports on legal, regulatory and financial reporting compliance matters, the Company Secretary and the compliance officer will look into the matter and, if considered appropriate, seek advice, guidance and recommendation from professional advisers and report to relevant members of our Group and/or our Board;

(7) we will provide our Directors, senior management and employees involved with training, development programmes and/or updates regarding the legal and regulatory requirements applicable to the business operations of our Group from time to time on a regular basis; and

(8) we will appoint external Hong Kong legal advisers to advise us on compliance with the Listing Rules and the applicable Hong Kong laws and regulations.

Having considered the above, the Sole Sponsor is of the view that the Directors (i) took responsibility of our Group's past non-compliances by taking proactive and appropriate actions to stop and remedy the same and obtained confirmation from relevant authorities as to such rectifications (to the extent permissible) to ensure that previous non-compliance matters would not have any material adverse impact on our Group going forward; and (ii) have taken appropriate steps and measures, including engaging external professionals and forming internal committee, to ensure compliance with the requirements of the Listing Rules and other applicable rules and regulations in the regions where it operates, and hence our Group's internal control measures are effective.

DIRECTORS

Our Board comprises nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors.

The following table sets forth certain information relating to our Directors:

Executive Directors

Name	Age	Position	Roles and responsibilities	Appointment date as Director	Relationship with other Directors
Mr. Chu Siu Ming (朱兆明)	74	Executive Director and Vice Chairman	Strategic planning and overall management of our Group	17 December 2012	Father of Mr. Dominic Chu and Mr. Haeta Chu
Mr. Chu Chun Ho, Dominic (朱俊豪)	41	Executive Director and co-chief executive officer	Strategic planning and execution	1 May 2013	Son of Mr. Chu and brother of Mr. Haeta Chu
Mr. Chu Chun Wah, Haeta (朱俊華)	39	Executive Director and co-chief executive officer	Brand licensing and supervision of our Group's retail operation	1 May 2013	Son of Mr. Chu and brother of Mr. Dominic Chu

Non-executive Directors

Name	Age	Position	Role and responsibilities	Appointment date as Director	Relationship with other Directors
Mr. Chong Hot Hoi (莊學海)	59	Non-executive Director and Chairman	Strategic planning	1 May 2013	Brother of Mr. Charles Chong
Mr. Chong Hok Hei, Charles (莊學熹)	54	Non-executive Director	Strategic planning	1 May 2013	Brother of Mr. H. H. Chong
Mr. Yu Fuk Lun (余福倫)	55	Non-executive Director	Strategic planning	1 May 2013	Nil

Independent Non-executive Directors

Name	Age	Position	Role and responsibilities	Appointment date as Director	Relationship with other Directors
Mr. Wan Kam To (尹錦滔)	60	Independent non-executive Director	As an independent Director	1 May 2013	Nil
Mr. Yau Tat Wang, Dennis (邱達宏)	65	Independent non-executive Director	As an independent Director	1 May 2013	Nil
Mr. Lam Man Tin (林文鈿)	54	Independent non-executive Director	As an independent Director	1 May 2013	Nil

Executive Directors

Mr. Chu Siu Ming (朱兆明), aged 74, is one of the founders of our Group. He is appointed as our executive Director and designated as Vice Chairman of our Board. He is responsible for advising on strategic planning and the overall management of our Group. He has over 20 years of experience in the wholesale and retail of footwear and has served as a director of Kong Tai Sundry Goods, which is one of our major operating subsidiaries, since September 1974. Mr. Chu is also a director of all the subsidiaries of our Group incorporated in BVI, and a director and shareholder of KTS International.

Mr. Chu is currently the permanent honorary president of Hong Kong Chiu Chow Merchants Mutual Assistance Society Limited, the vice president of Chiu Chau Industrial & Commercial Plastic United Association Limited and a director of Chiu On Association Hong Kong. Mr. Chu is the father of Mr. Dominic Chu, Mr. Haeta Chu and Ms. Chu Yuen Fan, Peggie.

Mr. Chu Chun Ho, Dominic (朱俊豪), aged 41, is appointed as our executive Director and our co-chief executive officer. Mr. Dominic Chu has joined our Group for 16 years and he is mainly responsible for the strategic planning and execution of business strategies of our Group. Mr. Dominic Chu is currently a director of Kong Tai Sundry Goods, and a director and shareholder of KTS International.

Apart from managing our business, Mr. Dominic Chu is also the vice chairman of the Scout Association of Hong Kong New Territories East Region, the vice chairman of the Hong Kong Youth Council, the executive director of Hong Kong Island Chaoren Association Limited, the honorary president of Sau Mau Ping District Junior Police Call and a member of the Industry Relationship Development Committee of the Business Administration Discipline Advisory Board of the Vocational Training Council. In 2009, Mr. Dominic Chu was awarded the 11th World Outstanding Chinese Award. Mr. Dominic Chu is the son of Mr. Chu and the brother of Mr. Haeta Chu and Ms. Chu Yuen Fan, Peggie.

Mr. Chu Chun Wah, Haeta (朱俊華), aged 39, is appointed as our executive Director and our co-chief executive officer. He graduated from Carleton University with a bachelor degree of arts in November 1998. Mr. Haeta Chu joined our Group in October 1998. Mr. Haeta Chu has had a major role in expanding the retail network and has been supervising the footwear retailing operations of our Group. In recent years, Mr. Haeta Chu has also taken part in fostering the business relationships with our major suppliers. He is currently a director of each of Kong Tai Sundry Goods, Grand Asian, Cobblers and Shoe Mart Company and an administrator of Shoes Culture. Mr. Haeta Chu is also a director and shareholder of KTS International.

Mr. Haeta Chu is currently the vice-chairman of Scout Association of Hong Kong New Territories East Region Development Fund, a director of Hong Kong Youth Council, the executive director of Hong Kong Island Chaoren Association Limited and a school director of Yan Oi Tong Pang Hung Cheung Kindergarten. Mr. Haeta Chu is the son of Mr. Chu and the brother of Mr. Dominic Chu and Ms. Chu Yuen Fan, Peggie.

Non-executive Directors

Mr. Chong Hot Hoi (莊學海), aged 59, is appointed as our non-executive Director and designated as Chairman of our Board. Mr. Chong joined our Group in 2005 and is currently a director of Kong Tai Sundry Goods. With over 30 years of experience in business management and investment in Hong Kong, Mr. Chong offers management advice and strategic guidance to the management team, and is responsible for the strategic planning of our Group. Mr. Chong is also a director and shareholder of each of KTS International and Chung Nam Fashion.

Mr. Chong has joined the Chung Nam group since May 1979. He has been the managing director of Chungnam Corporation Limited and Chung Nam Watch Company Limited respectively since 2000. Mr. Chong has been the honorary president of Hong Kong Watch Manufacturers Association Limited since 1991. He has served as the chairman of Hong Kong Watch and Clock Technology Centre Management Committee, Hong Kong Productivity Council since 2009. Mr. Chong obtained his bachelor of science degree in business administration from the University of Southern California in June 1977 and a master degree in business administration from the same university in June 1979. He was also a member of the Beta Alpha Psi honor society at the University of Southern California in 1976, the honorary fellow of The Professional Validation Council of Hong Kong Industries in 2004, a member of the Mandatory Provident Fund Schemes Advisory Committee from March 2005 to March 2011, and a recipient of the Bronze Bauhinia Star by the Government of Hong Kong Special Administrative Region in 2008. Mr. Chong is the brother of Mr. H. S. Chong and Mr. Charles Chong.

Mr. Chong Hok Hei, Charles (莊學熹), aged 54, is appointed as our non-executive Director. Mr. Chong offers management advice and strategic guidance to the management team, and is responsible for the strategic planning of our Group. He joined our Group in 2005 and is currently a director of Kong Tai Sundry Goods. Mr. Chong is also a director and a shareholder of each of KTS International and Chung Nam Fashion.

Mr. Chong joined the Chung Nam group as a sales manager in 1980. He has been the deputy managing director of Chungnam Corporation Limited since 2006 and the deputy managing director of Chung Nam Watch Company Limited since 1998. He also served as a director of business development of Hong Kong Watch Manufacturing Association Limited from June 2004 to June 2006. Mr. Chong obtained his bachelor of science degree in mechanical engineering from the University of Southern California in June 1980. Mr. Chong has also served as a director of Thunder Power Co. Ltd, a company listed on the Taiwan Stock Exchange (stock code: 4529) since June 2011. Mr. Chong is the brother of Mr. H. S. Chong and Mr. H. H. Chong.

Mr. Yu Fuk Lun (余福倫), aged 55, is appointed as our non-executive Director. Mr. Yu is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountant of CPA Australia Limited. Mr. Yu obtained a master degree in business from the Victoria University of Technology, Australia (distance learning) in November 1997. Mr. Yu is currently a director of KTS International.

Mr. Yu has over 20 years of experience in the fields of finance, accounting and corporate management. He has been the Group Chief Financial Officer of CN Group Limited since February 2007 and the Chief Executive Officer of Oasis Pacific Rim Limited since July 2011.

Mr. Yu was the Deputy General Manager at Samsung Hong Kong Limited from May 1994 to January 2001.

Independent non-executive Directors

Mr. Wan Kam To (尹錦滔), aged 60, is appointed as our independent non-executive Director. Mr. Wan has been a practising accountant in Hong Kong for over 30 years and has extensive experience in auditing and advisory work.

He joined Coopers & Lybrand in July 1975 and was admitted to the firm's partnership in May 1992. Mr. Wan retired as a partner of PricewaterhouseCoopers in June 2008.

Mr. Wan graduated from Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in October 1975 with a higher diploma in accountancy. He has been a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants since June 1989 and October 1983, respectively.

Mr. Wan is a member of the Council of The Open University of Hong Kong and serves as a member of the board of directors in several charitable and service organisations. Mr. Wan was an independent non-executive director of Real Gold Mining Limited listed on the Stock Exchange (stock code: 246) between July 2011 and August 2011. In addition, he holds directorships in listed companies as follows:

Mindray Medical International Limited (NYSE: MR), a company listed on the New York Stock Exchange of USA	Independent director (September 2008 to present)
China Resources Land Limited (stock code: 1109), a company listed on the Stock Exchange	Independent non-executive director (March 2009 to present)
Fairwood Holdings Limited (stock code: 52), a company listed on the Stock Exchange	Independent non-executive director (September 2009 to present)
Huaneng Renewables Corporation Limited (stock code: 958), a company listed on the Stock Exchange	Independent non-executive director (August 2010 to present)
RDA Microelectronics, Inc. (NASDAQ: RDA), a company listed on NASDAQ	Independent director (November 2010 to present)
GreaterChina Professional Services Limited (stock code: 8193), a company listed on the Stock Exchange	Independent non-executive director (May 2011 to present)
Dalian Port (PDA) Company Limited (stock code: 2880), a company listed on the Stock Exchange	Independent non-executive director (June 2011 to present)
KFM Kingdom Holdings Limited (stock code: 3816), a company listed on the Stock Exchange	Independent non-executive director (September 2012 to present)
Shanghai Pharmaceuticals Holding Co., Ltd (stock code: 2607), a company listed on the Stock Exchange	Independent non-executive director (June 2013 to present)

Mr. Yau Tat Wang, Dennis (邱達宏), aged 65, is appointed as our independent non-executive Director.

He is an advisor to the board of directors of A-Fontane Groups Ltd., a leading Hong Kong manufacturer of home textiles with its own retail distribution networks in Hong Kong, the PRC and South East Asia. He worked for the Hong Kong Trade Development Council from July 1970 to September 2002 and headed its international operations after serving on overseas postings in the Council's trade offices in Germany, Italy, Japan and the U.S. He joined Dah Sing Bank in 2002 as senior business advisor and was an executive director of Dah Sing Banking Group Limited (a company listed on the Stock Exchange (stock code: 2356)) from June 2004 to March 2007. He was appointed as the director-general of the Federation of Hong Kong Industries in 2007 and retired on completion of his term in 2012. During 2009 to 2010, he served as a part-time member of the Central Policy Unit of the Hong Kong Government.

Mr. Yau graduated from the University of Hong Kong with a bachelor of social sciences degree in November 1970 and the Harvard Business School by completing its advanced management program in May 1994. He was decorated Knight of the Order of the Crown by the King of Belgium in 2004.

Mr. Lam Man Tin (林文鈿), aged 54, is appointed as the independent non-executive Director of our Company.

Mr. Lam served as the managing director of Aeon Stores (Hong Kong) Co. Limited (a company listed on the Stock Exchange (stock code: 984)) from May 2006 to May 2012. Mr. Lam joined Aeon Stores Co., Ltd. in 1992 and has over 20 years of experience in retail and service industries. He was a director of Aeon Stores Co., Ltd. and an executive director of Aeon Stores (Hong Kong) Co. Limited from May 1999 to May 2012. He was engaged as a consultant of Aeon Stores (Hong Kong) Co., Limited following his resignation from the board until September 2012.

Mr. Lam graduated from the University of Hull with a master degree in strategic marketing (distance learning) in July 1996. He is also a founding member of the Hong Kong Yau Yat Chuen Lions Club.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date. Immediately following completion of the Global Offering and the Capitalisation Issue, save as the interests in the Shares which are disclosed in the section headed ''Substantial Shareholders'' in this prospectus and the section headed ''C. Further Information About Our Directors, Substantial Shareholders and Experts — 1. Disclosure of Interests'' in Appendix V to this prospectus, each of our Directors will not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed in the section headed ''Relationship with our Controlling Shareholders'' in this prospectus, none of our Directors have any interests in any business apart from business of our Group which competes or is likely to compete, either directly or indirectly, with business of our Group.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Ms. Chan Mei Yin (陳美燕), aged 57, is appointed as our director of administration. She is also a director of Kong Tai Sundry Goods. Ms. Chan joined Kong Tai Sundry Goods in January 1977 and she had worked up the ranks during the past 36 years of service in our Group. She had been assisting the founder and senior management of our Group in general shipping, trade financing and treasury management. Currently, Ms. Chan is responsible for the general administration, human resources and trade finance management of our Group.

Ms. Chan was awarded the Diploma in Management Studies by Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) jointly with Hong Kong Management Association in September 1988.

Ms. Chan Wai Man, Catherine (陳慧敏), aged 51, is appointed as our director of sales. Ms. Chan obtained a Certificate in Secretary and Administration from Sacred Heart Canossian Convent Commercial School in July 1981. She also attended various secretarial training programs and courses, which include Book Keeping under the Commercial Education Scheme of the London Chamber of Commerce and Industry and the Certificate Programme on Written Business English for Secretaries organised by the Hong Kong Management Association.

Ms. Chan joined our Group in January 2006. She has over 15 years of experience in sales and marketing and the development of sales network for footwear in Hong Kong and Taiwan. Before joining our Group, Ms. Chan was the general manager of a regional footwear company of over 200 shops, whose role was to oversee the retail operations of the company from July 1997 to November 2005.

Ms. Chu Yuen Fan, Peggie (朱婉芬), aged 43, is appointed as our director of business relations. She is also a director of Kong Tai Sundry Goods. Ms. Chu joined Kong Tai Sundry Goods in January 1992. Ms. Chu graduated from Carleton University with a bachelor of arts degree in economics in June 1992. Ms. Chu assisted in the early development of our Group in the area of business development and public relations, and has over 14 years of experience in the retail business of Hong Kong and the PRC.

Ms. Chu is currently the vice president of Canadian University Association, a committee member of Hong Kong Chiu Chow Chamber of Commerce The Woman Community, a director of Hong Kong Island Chaoren Association Limited and the regional liaison of the China Outstanding Female Entrepreneurs Association Women in Hong Kong. Ms. Chu was awarded the 2009 Top 100 Outstanding Women Entrepreneur Award in China (2009 年中國百名傑出女企業家) and the 2010 Most Innovative Women Entrepreneur in China (2010年中國創新力女企業家) by the China Outstanding Female Entrepreneurs Association Women. In 2010, Ms. Chu further received the 2010 most Creative Chinese Entrepreneurial Leaders award (2010亞太最具創造力之華商領袖 • 女企業家) jointly presented by Asia-Pacific Chinese Entrepreneur Leaders Association, Asia-Pacific Culture & Fortune News and Asia-Pacific Culture & Fortune Forum. Ms. Chu is the daughter of Mr. Chu and the sister of Mr. Dominic Chu and Mr. Haeta Chu.

Mr. Ma Chun Fung, Horace (馬振峰) (formerly known as Ma Ka Keung (馬家強)), aged 42, is appointed as our chief financial officer. Mr. Ma graduated with a bachelor of business administration degree from the Chinese University of Hong Kong in December 1993. Mr. Ma obtained a bachelor of laws degree from the University of London (external degree) in August 2001 and a master of science degree from the Chinese University of Hong Kong in December 2005.

Mr. Ma has over 20 years of experience in risk and internal control. He is a certified public accountant registered with the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants, a certified internal auditor registered with the Institute of Internal Auditors and a holder of the Certification in Control Self-Assessment from the Institute of Internal Auditors.

Mr. Ma has active participation in the affairs and activities of the accountancy profession. He was a council member of the Hong Kong Institute of Certified Public Accountants from December 2009 to December 2011 and a committee member of the Association of Chartered Certified Accountants Hong Kong Branch from 2006 to 2010.

Mr. Ma also has ample experience in managing affairs and governance of listed companies in Hong Kong. From September 2010 to October 2011, he was an executive director of FAVA International Holdings Limited (a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8108)). Mr. Ma was also an independent non-executive director of Dejin Resources Group Company Limited (a company listed on the Main Board (stock code: 1163) from June 2010 to June 2013. Since July 2007, he has served as an independent non-executive director of Ming Fai International Holdings Limited (a company listed on the Main Board (stock code: 3828)). He has also served as an independent non-executive director of Universe International Holdings Limited (a company listed on the Main Board (stock code: 1046)) since November 2008 and China Tianrui Group Cement Company Limited (a company listed on the Main Board (stock code: 1252)) since December 2011.

Mr. Chow Wing Hang, John (周永恒), aged 33, is appointed as our financial controller. Mr. Chow has over nine years of experience in auditing and accounting. Prior to joining our Group in November 2011, he was an audit manager in PricewaterhouseCoopers Hong Kong from October 2007 to September 2011.

Mr. Chow obtained a bachelor degree in business administration from the City University of Hong Kong in July 2002. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

Save as disclosed in this prospectus, none of our senior management had other directorships in any listed companies during the Track Record Period.

COMPANY SECRETARY

Our company secretary is Mr. Chow Wing Hang, John. He is also our financial controller and is employed by us on a full-time basis. Please refer to his biographical details in the paragraph headed ''Senior Management'' above in this section.

EMPLOYEES

As at the Latest Practicable Date, we had a total of 394 employees which represented 257 employees in Hong Kong, 126 employees in Taiwan and 11 employees in Macau. The following table shows a breakdown of our employees by department as at the Latest Practicable Date:

Department	Number of employees
Management	10
Information Technology	7
Sales and Customer Services	312
Purchasing and Logistics	42
Accounting and finance	11
Human resources and administration	12
Total	394

COMPLIANCE ADVISER

Pursuant to Rule 3A.19 of the Listing Rules, our Company has appointed RHB OSK Capital as our compliance adviser. The compliance adviser will advise us on the following matters pursuant to Rule 3A.23 of the Listing Rules:

(i) the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information of this prospectus; or

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares the possible development of a false market in its securities, or any other matters.

The term of this appointment will commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules on the distribution of our annual report in respect of the financial results for the first full financial year commencing after the Listing Date.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee with written terms of reference in accordance with Appendix 14 to the Listing Rules on 11 June 2013. The primary duties of the audit committee are, amongst other things, to review and supervise the financial reporting processes and internal control system.

The audit committee currently consists of Mr. Wan Kam To (as chairman), Mr. Yau Tat Wang, Dennis and Mr. Lam Man Tin.

Nomination committee

Our Company established a nomination committee with written terms of reference in accordance with Appendix 14 to the Listing Rules on 11 June 2013. The primary duties of the nomination committee are, amongst other things, to review the structure, size and composition of our Board, assess the independence of the independent non-executive Directors and to make recommendations to our Board on the appointment and removal of directors.

The nomination committee currently consists of Mr. Lam Man Tin (as chairman), Mr. H. H. Chong and Mr. Yau Tat Wang, Dennis.

Remuneration Committee

Our Company established a remuneration committee with written terms of reference in accordance with Appendix 14 to the Listing Rules on 11 June 2013. The primary duties of the remuneration committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to the directors and senior management and to make recommendation to the Board on our Group's policy and structure for all remuneration of the directors and senior management.

The remuneration committee currently consists of Mr. Yau Tat Wang, Dennis (as chairman), Mr. H. H. Chong, Mr. Yu Fuk Lun, Mr. Wan Kam To and Mr Lam Man Tin.

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering and the Capitalisation Issue, on the assumption that the Over-allotment Option and any option which may be granted under the Share Option Scheme are not exercised, KTS International, Chung Nam Fashion and Pomeroy Group will own approximately 51.17%, 20.47% and 1.40%, respectively, of the issued share capital of our Company. Mr. H. S. Chong and Mr. Chu own approximately 37.53% and 23.25%, respectively, of the issued share capital of KTS International, and together hold a majority shareholding in KTS International. The issued share capital of each of Chung Nam Fashion and Pomeroy Group, respectively, is owned by Mr. H. S. Chong, Mr. H. H. Chong and Mr. Charles Chong in equal shares.

In view of the above, Mr. H. S. Chong, Mr. H. H. Chong and Mr. Charles Chong, who are brothers, and together with Mr. Chu and KTS International, will control the exercise of voting rights attaching to 146,550,000 Shares representing approximately 73.27% of the issued share capital of our Company (assuming the Over-allotment Option and any option which may be granted under the Share Option Scheme are not exercised). They are, together, the controlling shareholders of our Company within the meaning of the Listing Rules. Save as disclosed in this prospectus and except for his/its respective interest in our Company, neither of Mr. H. S. Chong, Mr. H. H. Chong, Mr. Charles Chong, Mr. Chu and KTS International nor any of their respective associates had interests in any other company which, as at the Latest Practicable Date, directly or indirectly held any interest in a business that may, directly or indirectly, compete with our business.

Our Controlling Shareholders' interests in businesses other than business of our Group

Each of Mr. H. S. Chong, Mr. H. H. Chong, Mr. Charles Chong, respectively, holds interests in a diverse range of family businesses through various companies controlled by them or any of them, which are independent of, and unrelated to, our business. Such family businesses include the trading and manufacturing of watches, applied material science technologies, production of radio frequency identification devices and related solutions, distribution and retailing of a European brand ladies' fashion and ancillary accessories, design and manufacturing of lifestyle woodwork products, and a community enterprise. None of the foregoing has a close trading relationship with, nor is in competition with, our Group.

The Controlling Shareholders together with their associates have an approximately 38.03% indirect attributable interest in a start-up business in Shanghai, the PRC engaging in an Internet-based online sales of mass market women footwear via the website **www.tstage.cn** (the ''**PRC Online Business**''). Such business was commenced in early 2012.

Besides, Mr. Chu is a minority shareholder holding a 25% equity interest in a company incorporated in Malaysia which purchases footwear products from our Group for retail in Malaysia (''**Mr. Chu's Minority Investment**'', together with the PRC Online Business referred to as the ''**Excluded Businesses**'').

Delineation of our business from the Excluded Businesses

(1) PRC Online Business

The PRC Online Business is operated by a company established in the PRC with a registered capital of RMB500,000 fully paid up, and it engages in an internet-based retail-oriented online sales of women fashion footwear products under its own brand ''TSTAGE'' or non-branded footwear products targeting the lower end of the mass consumer market. In order to target the average female footwear buyers, the price range of its products ranges approximately from RMB100 to RMB500 with an ASP of RMB117. As at the Latest Practicable Date, the PRC Online Business was not carried on in, nor had, any physical sales location in the PRC or elsewhere. For the year ended 31 December 2012, the revenue contributed by the sales of these products was approximately RMB0.8 million and the business recorded a net loss of approximately RMB3.1 million. Given the short business history of the PRC Online Business which only commenced in early 2012 and a relatively small investment scale, our Directors are not in a position to gauge the business performance, market share or profitability of that business.

On the other hand, we are an established distributor and retailer of lifestyle comfort footwear products of international brands, including Clarks, Josef Seibel, The Flexx and Yokono in Hong Kong, Taiwan and Macau. We target at mid-end consumer market with customers who demand for footwear that combines style, comfort and affordability. Apart from distribution to wholesale customers, we have extensive retail channels through self-operated Retail Outlets network in Hong Kong, Taiwan and Macau. As at the Latest Practicable Date, we had a total of 98 Retail Outlets across Hong Kong, Taiwan and Macau. Our revenue for the three years ended 31 December 2012 was approximately HK$365.8 million, HK$472.4 million and HK$505.3 million, respectively.

Reasons for not including the PRC Online Business in our Group

Our Directors consider that it is not in the best interest of our Group to include the PRC Online Business in our Group on the following basis:

(i) our Directors believe that currently there is no direct competition between the business of our Group and the PRC Online Business. Even there might be competition in some respect as both businesses are related to sale of footwear, such competition is not, and is unlikely to be significant as there is a clear delineation between our Group's business and the PRC Online Business in terms of scale of operation, pricing strategy, customer segments and sales channels.

1. Scale of operation

Our Group has engaged in the wholesale and retail footwear business for over 20 years with revenue in 2012 amounting to over HK$500 million. The PRC Online Business was set up in 2012 and the revenue contributed by sales of footwear in 2012 was approximately RMB0.8 million. The scale of the two businesses is in fact incomparable.

2. Pricing strategy and customer segments

Our Group targets at mid-end consumer market with customers who demand for footwear that combines style, comfort and affordability, while the PRC Online Business targets the lower-end of the mass consumer market.

3. Sales channels

For footwear business, physical retail stores and online store are two very different sales channels targeting at different customer segments. Physical retailers can offer customers with more personal service and distinctive shopping experience, while online retailers can offer great variety of footwear and attractive pricing. There may be certain overlap between the markets of physical retailers and online retailers but they each have their own competitive advantages which cannot be easily substituted.

(ii) our Directors intend to expand our business into the PRC by way of opening new brick-and-mortar Retail Outlets in the PRC and to further strengthen our market position in Hong Kong and Taiwan by opening additional Retail Outlets and renovating existing ones. Operating internet-based online sales channels in the PRC is currently not a business strategy pursued by our Company. When compared to the PRC Online Business, the PRC expansion plan of our Group offers goods from brands with international recognition and goodwill, targets mid-end customers, and involves a different pricing strategy and a different sales channel. As such, our Directors believe that there is no future direct competition between our Group and the PRC Online Business;

(iii) the PRC Online Business is still at embryonic stage and it recorded a net loss for the year ended 31 December 2012. With relatively low entry barriers and fierce competition among peers in the industry, the financial performance of the PRC Online Business may not improve significantly in the near future. Acquisition of the PRC Online Business may bring uncertainty and adverse impact to the expansion plan of our Group; and

(iv) our Directors believe it is necessary to contrast the nature of our Group's business and that of the PRC Online Business. Our Group's existing business, which is based on wholesale and retail of footwear products, has a long operational history since the 1970s and is well-established in Hong Kong, Macau and Taiwan. Thus, we plan to expand into the PRC market by replicating in the PRC our traditional business model. However, e-commerce business of the nature carried on by the PRC Online Business is new to our Group and to our Directors. Our Group has not successfully operated e-commerce business in any market and lacks comparable experience. Therefore, our Directors consider that the PRC Online Business involves a higher level of risk and a different business nature such that it should not be run together with our Group's business. When compared to our expansion plan in the PRC, the PRC Online Business involves different operational considerations, such as the uncertainties in payback period which involve technological change, initial capital investment in technologies and equipment, recruitment of experienced personnel, additional branding and business development costs and lack of certainty in the control and potential liability exposures in PRC's e-commerce environment.

(2) Mr. Chu's Minority Investment

The company related to Mr. Chu's Minority Investment is principally engaged in the wholesale and retail of shoes in Malaysia. The company has been purchasing footwear products from our Group for sales in Malaysia. Apart from being a minority shareholder holding a 25% equity interest in the company, Mr. Chu is also one of its directors. The other shareholders and directors of the company are Independent Third Parties. For the three years ended 31 December 2012, the revenue generated to our Group from the sales to the company was approximately HK$115,000, nil and HK$90,000 (representing less than 0.1% of our turnover in the corresponding year) and the business recorded a net profit of approximately MYR399,000, MYR379,000 and a net loss of approximately MYR182,000 respectively during the corresponding years. Mr. Chu does not have management control over the company, nor does he involve in its daily management and operation.

On the other hand, the business of our Group is principally focused in Hong Kong, Taiwan and Macau with an intention to expand our business into the PRC. Save for the sales by our Group to the company referred to above, our Group has carried on no business in Malaysia.

Reasons for not including Mr. Chu's Minority Investment in our Group

Our Directors consider that it is not in the best interest of our Group to include Mr. Chu's Minority Investment in our Group for the following reasons:

(1) Mr. Chu only has a minority stake in the company and it has separate management team which is not controlled nor managed by Mr. Chu or our Group. Such minority interest would not give our Group meaningful control over the company to influence its business for the benefit of our Group;

(2) the company and our Group operate in different geographical locations. While our Group focuses our business in Hong Kong, Taiwan and Macau with plans to enter into the PRC market, the company focuses its business in Malaysia. Furthermore, to the best of our Directors' knowledge, the company has no present plan to expand its sales network beyond Malaysia. On the foregoing basis, our Directors take the view that even though the business of the company may compete with our Group's business in some respect, such competition is not, and is unlikely to be significant;

(3) sales of this company were insignificant to our Group's revenue as illustrated above; and

(4) our Group's current plan is to focus on the expansion of sales network in Hong Kong, Macau, Taiwan and the PRC and resources should be pooled to implement such strategy.

DIRECTORS' COMPETING BUSINESS

Each of our Directors has confirmed to us that to the best of his knowledge, information and belief, as at the Latest Practicable Date, save for the Excluded Businesses, he is not engaged in any business which competes or is likely to compete, either directly or indirectly, with the business of our Group. The terms of the service contracts or letters of appointment for our Directors will have relevant provisions to restrict them from participating in business which competes or is likely to compete, either directly or indirectly, with the business of our Group.

NON-COMPETITION UNDERTAKING

The Controlling Shareholders have further entered into the Deed of Non-competition in favour of our Company (for itself and as trustee for the other members of our Group), pursuant to which each of the Controlling Shareholders, respectively, has undertaken to and covenanted with our Company (for itself and as trustee for the other members of our Group) that, save for the identified business (as defined below), he or it would not, and would procure none of his or its associates would, during the restricted period and within the restricted territory (both as defined below), directly or indirectly, either on his or its own account or in conjunction with or on behalf of any person, firm or company (in each case whether as an investor, shareholder, principal, partner, director, employee, consultant, agent or otherwise or whether for profit, reward or otherwise):

(a) carry on, engage, participate, concerned or interested in or in any way assist in or provide support (whether financial or technical) to any business similar to or which competes (either directly or indirectly) or is likely to compete with the restricted business (as defined below);

(b) canvass, solicit, interfere with or endeavour to entice away from members of our Group any person, firm, company or organisation which to his or its knowledge has from time to time or has at any time with the immediate past two years before the date of such solicitation, interference or enticement been a customer, a supplier or a business partner or employee of the members of our Group for the purpose of conducting any restricted business;

(c) procure orders from or solicit business from any person, firm, company or organisation which to his or its knowledge has dealt with any member of our Group or is in the process of negotiating with any member of our Group, in relation to any restricted business;

(d) willfully do or say anything which is derogatory to the reputation of any member of our Group;

(e) solicit or entice or endeavour to solicit or entice for employment by him or it or entities or companies controlled by him or it (other than our Group) or at any time employ or procure the employment of any person who has, at any time within the immediate past two years before the date of such solicitation or employment, been or is a director, manager, employee of or consultant to our Group who is or may be likely to be in possession of any confidential information or trade secrets relating to the restricted business carried on by our Group; and

(f) make use of any information pertaining to the business of our Group which may have come to his or its knowledge in his or its capacity as a shareholder of our Company or director of any member of our Group for the purpose of competing with the business of our Group.

Such non-competition undertaking does not apply to:

(a) any opportunity to invest, participate, be engaged in and/or operate with a third party any restricted business in the restricted territory which:

(i) has first been offered or made available to our Company and, at the request of our Company, with all information reasonably necessary for our Company to consider whether it is in the interest of our Group and our Shareholders as a whole to pursue such opportunity; and

(ii) our Board (with those Directors who are interested in such restricted business and their respective associates abstaining from voting), after consulting our independent non-executive Directors, has considered and confirmed that our Company shall decline such opportunity to invest, participate, be engaged in and/or operate with such third party and/or together with any of the Controlling Shareholders and their respective associates,

provided that the principal terms by which any of the Controlling Shareholders and their respective associates subsequently invests, participates, engages in or operates the restricted business in the restricted territory are not more favourable than those disclosed to our Company; or

(b) having interests in the shares or other securities in a company whose shares are listed on a recognised stock exchange, provided that:

(i) any restricted business conducted or engaged in by the company (and assets relating thereto) in the restricted territory accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited financial statements; or

(ii) the total number of shares or other securities in the company held by a Controlling Shareholder together with his or its associates does not exceed 5% of the total issued shares or, as the case may be, the total of the other securities in issue in the company and he or it and his or its associates together are not entitled to appoint a majority of the directors of that company; or

(c) having interests in any corporation, entity and/or economic activity which is a charity or is carried on predominately for a charitable or non-profit-making purpose, or is a social or community enterprise (including, without limitation, L plus H Fashion Limited — a company incorporated in Hong Kong with limited liability and a community enterprise, of which Mr. Charles Chong is a majority shareholder); or

(d) serving as a consultant or adviser, whether for profit, reward or otherwise, to any person which is, or may become (in the reasonable opinion of our Board (with those Directors who are interested and their respective associates abstaining from voting) as confirmed to our Company in writing), a supplier of our Group from time to time.

In the Deed of Non-competition,

(a) the ''identified business'' refers to (i) the Internet-based online sale of mass market women footwear via the website **www.tstage.cn**; and (ii) the retail sales of footwear in Malaysia;

(b) the ''restricted business'' refers to any of the business carried on by any members of our Group from time to time relating to the wholesale or retail of lifestyle comfort footwear products in physical shops, or counters or concessions within department stores or shopping malls or outlets;

(c) the ''restricted period'' refers to the period during which (i) the Shares are and remain listed on the Stock Exchange; and (ii) the Controlling Shareholders together with their respective associates are collectively entitled to exercise or control the exercise of not less than 30% of the voting power at general meetings of our Company; and

(d) the ''restricted territory'' refers to the PRC, Hong Kong, Macau and Taiwan.

Each of the Controlling Shareholders has further undertaken in the Deed of Non-competition that he or it would, and would procure his or its associates would, promptly provide our Company such information as our Company may reasonably request from time to time to ascertain due and punctual performance and observance of his or its duties and obligations under the Deed of Non-competition.

The parties to the Deed of Non-competition have acknowledged that our independent non-executive Directors will review, at least on an annual basis, the compliance of the Deed of Non-competition by the Controlling Shareholders and their respective associates. Each of the Controlling Shareholders has undertaken that he or it will provide all information reasonably necessary for the annual review by our independent non-executive Directors. Our Company will disclose decision on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition in the annual report of our Company, including such disclosure on how the Deed of Non-competition has been complied with and enforced which will be consistent with the principles of making voluntary disclosures in the corporate governance report under Appendix 14 to the Listing Rules. Our Company will also disclose, with basis, all rejections of new opportunities offered or made available to our Company. Each of the Controlling Shareholders has further undertaken that he or it will make an annual declaration on the compliance of the Deed of Non-competition in form and substance reasonably satisfactory to our Company, the contents of which may be reproduced in the annual report of our Company.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we confirm that our Group is capable of carrying on its business independently of our Controlling Shareholders and its respective associates after the Global Offering:

Management Independence

Our Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors. Mr. Chu is an executive Director and Mr. H. H. Chong and Mr. Charles Chong are non-executive Directors.

Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Group and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transaction and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group.

Our Directors are satisfied that they are able to perform their roles in our Group independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Global Offering.

Operational Independence

We have established our own set of organisational structure made up of individual departments, each with specific areas of responsibilities. Our Group has independent access to sources of supplies as well as customers. We have also established a set of internal controls to facilitate the effective operation of our business.

Financial Independence

Our Group has independent financial systems and makes financial decisions according to our own business needs. As at the Latest Practicable Date, (i) our Group owed a loan in amount of approximately HK$3 million due to Mr. Chu and Ms. Wong May Heung, the wife of Mr. Chu, which is interest-bearing at the Prime lending rate and repayable on demand; (ii) Mr. Chu had provided personal guarantees to a bank in respect of our Group's banking facilities; and (iii) Mr. H. S. Chong had provided personal guarantees to a bank in respect of our Group's banking facilities. Please refer to notes 25 and 33 to the Accountants' Report as set out in Appendix I to this prospectus.

On 11 June 2013, a dividend of HK$20.0 million was declared by the Directors, which will be paid to the existing Shareholders and settled by part of the proceeds from the Global Offering.

The loan due to Mr. Chu and Ms. Wong May Heung, together with the dividend payable to existing Shareholders in an amount of HK$20.0 million, will be settled by our Group upon the Listing by part of the net proceeds from the Global Offering. The personal guarantees provided by each of Mr. Chu and Mr. H. S. Chong will be released upon the Listing. Thus, our Group will be financially independent on our Controlling Shareholders upon the Listing.

Our Group's financial and liquidity conditions have been and remain strong. Please refer to the sections headed ''Financial Information — Liquidity and Capital Resources'' and ''Financial Information — Indebtedness'' in this prospectus.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon Listing, we will continue to engage in certain transactions with persons who will become our connected persons under the Listing Rules and such transactions will be regarded as our connected transactions under the Listing Rules.

The following transactions will be regarded as continuing connected transactions for our Company exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules.

1. Lease of office premises from Mr. H. S. Chong

On 28 August 2012, Mr. H. S. Chong and Kong Tai Sundry Goods entered into a lease, pursuant to which Mr. H. S. Chong leased to Kong Tai Sundry Goods the premises at Workshops G & H, 11/F, Block 2, Kwai Tak Industrial Centre, 16–33 Kwai Tak Street, Kwai Chung, Hong Kong with a gross floor area of approximately 6,109 sq. ft.. The monthly rental under such lease is HK$30,000 and the term of the lease is two years, which commenced on 1 November 2012 and will continue until 31 October 2014. The term of the lease may be renewed by mutual agreement in writing. The premises under such lease are currently occupied by Kong Tai Sundry Goods for office use.

During the Track Record Period, the annual rental payments made to Mr. H. S. Chong by Kong Tai Sundry Goods for each of the three years ended 31 December 2010, 2011 and 2012 were approximately HK$268,000, HK$288,000 and HK$268,000, respectively. The lease was entered into by Kong Tai Sundry Goods in the ordinary and usual course of business and the annual rent had been arrived at after arm's length negotiation between the parties.

CBRE Limited, our independent property valuer, has confirmed that the rents payable under the above lease is more favourable to our Group. CBRE estimated that a discount of approximately 33% has been offered to our Group.

Mr. H. S. Chong, being the brother of Mr. H. H. Chong and Mr. Charles Chong, is a connected person of the Company and the above lease is a continuing connected transaction for our Company under Chapter 14A of the Listing Rules.

As the highest relevant percentage ratio in respect of the lease between Mr. H. S. Chong and Kong Tai Sundry Goods (with reference to both the current rental and the prevailing market rental as estimated by CBRE Limited) will be, on an annual basis, less than 5%, and the total consideration will be less than HK$1,000,000, it will constitute a de minimis continuing connected transaction for our Company exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33 of the Listing Rules.

2. Lease of office premises from Becking Investment Limited

On 20 February 2013, Kong Tai Sundry Goods and Becking Investment Limited entered into a lease, pursuant to which Becking Investment Limited leased to Kong Tai Sundry Goods the premises at Workshops A & E, 11/F, Block 2, Kwai Tak Industrial Centre, 16–33 Kwai Tak Street, Kwai Chung, Hong Kong with a gross floor area of approximately 5,991 sq. ft.. The monthly rental under such lease is HK$25,761.3 and the term of the lease is two years, which commenced on 1 August 2011 and will continue until 31 July 2013. The term of the lease may be renewed by mutual agreement in writing. The premises under such lease are currently occupied by Kong Tai Sundry Goods for office use.

During the Track Record Period, the annual rental payments made to Becking Investment Limited by Kong Tai Sundry Goods for each of the three years ended 31 December 2010, 2011 and 2012 were approximately HK$309,000 per year. The lease was entered into by Kong Tai Sundry Goods in the ordinary and usual course of business and the annual rent had been arrived at after arm's length negotiation between the parties.

CBRE Limited, our independent property valuer, has confirmed that the rents payable under the above lease is more favourable to our Group. CBRE estimated that a discount of approximately 33% has been offered to our Group.

The issued share capital of Becking Investment Limited is owned as to approximately one-third by each of Mr. H. S. Chong, Mr. H. H. Chong and Mr. Charles Chong respectively. As such, Becking Investment Limited is an associate of each of Mr. H. S. Chong, Mr. H. H. Chong and Mr. Charles Chong and therefore a connected person of our Company. Hence, the above lease is a continuing connected transaction for our Company under Chapter 14A of the Listing Rules.

As the highest relevant percentage ratio in respect of the lease between Becking Investment Limited and Kong Tai Sundry Goods (with reference to both the current rental and the prevailing market rental as estimated by CBRE Limited) will be, on an annual basis, less than 5% and the total consideration will be less than HK$1,000,000, it will constitute a de minimis continuing connected transaction for our Company exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33 of the Listing Rules.

3. Lease of shop premises from Fortune Star Realty Company Limited

On 10 August 2010, Grand Asian and Fortune Star Realty Company Limited entered into a lease, pursuant to which Fortune Star Realty Company Limited leased to Grand Asian the premises at Shop G31, G/F., Peninsula Centre, 67 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong with a gross floor area of approximately 306 sq. ft.. The monthly rent under such lease is HK$70,000 and the term of the lease is three years, which commenced on 1 October 2010 and will continue until 30 September 2013. The term of the lease may be renewed by mutual agreement in writing. The premises under such lease are currently occupied by Grand Asian as a retail shop.

During the Track Record Period, the annual rental payments made to Fortune Star Realty Company Limited by Grand Asian for each of the three years ended 31 December, 2010, 2011 and 2012 were approximately HK$750,000, HK$840,000 and HK$840,000, respectively. The lease was entered into by Grand Asian in the ordinary and usual course of business and the annual rent had been arrived at after arm's length negotiation between the parties.

CBRE Limited, our independent property valuer, has confirmed that the rents payable under the above lease is consistent with the prevailing market rates.

The issued share capital of Fortune Star Realty Company Limited is owned as to 100% by the sister-in-law and nephews of Mr. Chu. As such, Fortune Star Realty Company Limited is an associate of Mr. Chu and therefore a connected person of our Company. Hence, the above lease is a continuing connected transaction for our Company under Chapter 14A of the Listing Rules.

As the highest relevant percentage ratio in respect of the lease between Fortune Star Realty Company Limited and Grand Asian will be, on an annual basis, less than 5% and the total consideration will be less than HK$1,000,000, it will constitute a de minimis continuing connected transaction for our Company exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, taking no account of any Shares which may be taken up under the Global Offering and on the assumptions that the Over-allotment Option and any option which may be granted under the Share Option Scheme are not exercised, the following persons will, immediately following completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO.

		Shares owned immediately before the Global Offering and the Capitalisation Issue		Shares owned immediately after the Global Offering and the Capitalisation Issue	
Name	**Nature of Interest**	**Number of Shares**	**Percentage**	**Number of Shares**	**Percentage**
Chung Nam Fashion	Beneficial interest	2,729	27.29%	40,935,000	20.47%
KTS International	Beneficial Interest	6,822	68.22%	102,330,000	51.17%
Mr. H. S. Chong	Interest of controlled corporation[(1), (2), (3)]	9,739	97.39%	146,085,000	73.04%
Mr. H. H. Chong	Interest of controlled corporation[(1), (2)]	2,917	29.17%	43,755,000	21.87%
Mr. Charles Chong	Interest of controlled corporation[(1), (2)]	2,917	29.17%	43,755,000	21.87%

Notes:

1. Each of Mr. H. S. Chong, Mr. H. H. Chong and Mr. Charles Chong, respectively, owns one-third of the issued share capital of Chung Nam Fashion and therefore, is deemed to be interested in the number of Shares held by Chung Nam Fashion by virtue of the SFO.

2. Each of Mr. H. S. Chong, Mr. H. H. Chong and Mr. Charles Chong, respectively, owns one-third of the issued share capital of Pomeroy Group and therefore, is deemed to be interested in the number of Shares held by Pomeroy Group by virtue of the SFO.

3. Mr. H. S. Chong owns approximately 37.53% of the issued share capital of KTS International and therefore, is deemed to be interested in the number of Shares held by KTS International by virtue of the SFO.

So far as our Directors are aware, following the completion of the Global Offering and on the assumptions that the Over-allotment Option and any option which may be granted under the Share Option Scheme are not exercised, no person is, 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 our Group (other than our Company).

SHARE CAPITAL

Authorised share capital:		*HK$*
500,000,000	Shares of HK$0.01 each	5,000,000

Issued and to be issued, fully paid or credited as fully paid

10,000	Shares in issue at the date of this prospectus	100
149,990,000	Shares to be issued pursuant to the Capitalisation Issue	1,499,900
50,000,000	Shares to be issued pursuant to the Global Offering	500,000
200,000,000		2,000,000

ASSUMPTION

The table above assumes the Global Offering has become unconditional and the issue of Shares pursuant to the Global Offering made as described in this prospectus. It takes no account of any Shares which may be allotted and issued under the Over-allotment Option or upon the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandate for the allotment and issue of Shares or the general mandate for repurchase of Shares granted to our Directors as referred to in this prospectus.

RANKING

The Offer Shares and the Shares which may be issued under the Over-allotment Option or upon the exercise of any options which may be granted under the Share Option Scheme will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus except for the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

As at the Latest Practicable Date, our Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal amount of our share capital in issue immediately following the completion of the Global Offering and the Capitalisation Issue (but excluding Shares which may be allotted and issued under the Over-allotment Option); and

- the aggregate nominal amount of our share capital repurchased by our Company (if any) pursuant to the repurchase mandate (as referred to below).

Our Directors may, in addition to the Shares which they are authorised to issue under this mandate, allot, issue and deal in the unissued Shares pursuant to a rights issue, 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, issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or specific authority granted by the Shareholders at general meetings.

This mandate will expire:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or any applicable law of the Cayman Islands to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the section headed ''A. Further Information About Our Group — 4. Written Resolutions of Our Shareholders'' in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

As at the Latest Practicable Date, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with aggregate nominal amount of not more than 10% of the aggregate nominal amount of the our share capital in issue immediately following the completion of the Global Offering and the Capitalisation Issue (but excluding Shares which may be allotted and issued under the Over-allotment Option). This mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, and otherwise in accordance with the rules and regulations of the SFC, the Stock Exchange, the Companies Law and all other applicable laws. Further information required by Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in Appendix V to this prospectus.

This mandate will expire:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or any applicable law of the Cayman Islands to be held; or

- when the authority given to our Directors is revoked or varied by an ordinary resolution of our Shareholders at a general meeting;

whichever is the earliest.

For further details of this general mandate, please refer to the section headed ‘‘A. Further Information About Our Group — 4. Written Resolutions of Our Shareholders’’ in Appendix V to this prospectus.

You should read the following discussion and analysis in conjunction with our combined financial information and notes thereto set forth in the Accountants' Report included as Appendix I and our selected historical combined financial information and operating data included elsewhere in this prospectus. Our combined financial information has been prepared in accordance with the HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The following discussion contains forward-looking statements that involve risks and uncertainties. Our future results could differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth under the section headed "Risk Factors" and elsewhere in this prospectus.

Our financial year begins from 1 January and ends on 31 December. All references to "FY2010", "FY2011" and "FY2012" mean the financial years ended 31 December 2010, 2011 and 2012, respectively.

OVERVIEW

We are an established distributor and retailer of lifestyle comfort footwear products of international brands. Our revenue derives from (i) retail through our Retail Outlets under several trade names, namely S.Culture, shoe mart, SCOOPS and individual licensed brands, located in Hong Kong, Taiwan and Macau; and (ii) sales to wholesale customers who are mainly footwear retail chain stores and department stores in Hong Kong and Taiwan. During the Track Record Period, we offered footwear products of Clarks, Josef Seibel, The Flexx, Yokono and other brands.

We have extensive sales channels through our self-operated Retail Outlets network in Hong Kong, Taiwan and Macau. As at the Latest Practicable Date, we had a total of 98 Retail Outlets, comprising 51 Retail Outlets in Hong Kong, 45 Retail Outlets in Taiwan and two Retail Outlets in Macau. Our Retail Outlets are strategically located in prime locations, department stores and shopping malls to reach out to a wider customer base.

Our business has grown rapidly during the Track Record Period. Our revenue increased by approximately HK$106.6 million or 29.1%, from approximately HK$365.8 million in FY2010 to approximately HK$472.4 million in FY2011, and further increased by approximately HK$32.9 million or 7.0%, to approximately HK$505.3 million in FY2012, representing a CAGR of approximately 17.5%. Correspondingly, our profit for the year increased by approximately HK$13.4 million, or 74.0%, from approximately HK$18.1 million in FY2010 to approximately HK$31.5 million in FY2011, but decreased by approximately HK$6.4 million, or 20.3%, to approximately HK$25.1 million in FY 2012, representing a CAGR of approximately 17.8%.

BASIS OF PREPARATION

Pursuant to the Reorganisation, as more fully described in the section headed ''History, Reorganisation and Group Structure'' of this prospectus and in Appendix V to this prospectus, our Company became the holding company of the companies now comprising our Group. Our financial information presents our results of operations,

financial position and cash flows of the companies now comprising our Group and has been prepared as if the current group structure had been in existence at the beginning of the Track Record Period, or since the companies' respective dates of incorporation or establishment, where there is a shorter period.

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Reliance on our largest supplier

C&J Clark was our largest supplier during the Track Record Period. For the three years ended 31 December 2010, 2011 and 2012, our purchases of the footwear products under the Clarks brand accounted for approximately 81.8%, 82.9% and 71.3% of our total purchases, respectively; our revenue derived from the sale of the Clarks branded footwear products accounted for approximately 80.9%, 84.8%, and 80.0% of our total revenue for the respective periods. Therefore, our financial condition, results of operations and business prospects are directly affected by our relationship with C&J Clark.

Our revenue derived from the distribution of Clarks branded footwear products is determined by the quantity of products we purchase from C&J Clark and the price at which we sell those footwear products. Our gross margin and operating profit are substantially affected by the price at which we purchase the Clarks branded footwear products and the price we sell the Clarks branded footwear products to our retail and wholesale customers.

As at Latest Practicable Date, we had entered a distributorship agreement and an international franchise agreement with C&J Clark which granted us exclusive distribution rights in certain authorised territories, namely Hong Kong, Taiwan and Macau, and rights to open Retail Outlets under its brands, respectively in August 2012 for a term of five years and will expire on 31 December 2017. As a result, the quantity of the Clarks branded footwear products that we purchase from C&J Clark is subject to private and commercial negotiation between C&J Clark and us. Any decline or interruption in supply from C&J Clark will materially and adversely affect our financial condition, results of operations and business prospects.

For over 30 years, we have maintained strong and solid relationship with C&J Clark and have been able to renew our supply agreements with C&J Clark after they expire uninterruptedly. Over the years, we have successfully transferred such price fluctuations to our customers in order to maximise our nominal sales and hence our gross profit.

Growth of tourism and the retail market in Hong Kong and Taiwan

Our results of operation and financial condition were affected by the growth of tourism and the retail market in Hong Kong and Taiwan as our revenue was mainly derived from Hong Kong and Taiwan during the Track Record Period. Our Directors believe that the growth in Mainland Chinese tourist spending and increasing retail sales have been the drivers of the Hong Kong and Taiwan footwear market where our business mainly operates in. Accordingly, our Group's results are affected by the number of PRC

tourists visiting Hong Kong. According to the Hong Kong Tourism Board, Hong Kong received a record-high of 42 million visitors from around the world in 2011, an increase of 16.4% over 2010. In addition, Taiwan opened its doors to independent Mainland Chinese tourists in June 2011. This move came after the initial decision to allow group tourists from the PRC to visit Taiwan in 2008 and was made in a bid to stimulate Taiwan's economy. Our Directors believe that spending by tourists from the PRC and the development of tourism in Hong Kong and Taiwan, which is expected to continue to thrive and have a significant impact on our Group's performance.

Expansion of our retail network

We generate over 80.0% of our revenue from sale of footwear products at our Retail Outlets. The sale of footwear products are affected by the number of our Retail Outlets in operation. The following table sets forth the number of our Retail Outlets in operation, by geographical region, as at the dates indicated.

	As at 31 December									As at the Latest Practicable Date		
	2010			2011			2012					
	Number of concessions	Number of self-rented shops	Total	Number of concessions	Number of self-rented shops	Total	Number of concessions	Number of self-rented shops	Total	Number of concessions	Number of self-rented shops	Total
Number of Retail Outlets:												
Hong Kong	15	27	42	17	29	46	21	33	54	21	30	51
Taiwan	31	6	37	32	8	40	37	8	45	37	8	45
Macau	0	3	3	0	3	3	0	3	3	0	2	2
Total	46	36	82	49	40	89	58	44	102	58	40	98

Our Retail Outlets grew significantly during the Track Record Period. As at 31 December 2010, 2011 and 2012, we had 82, 89 and 102 Retail Outlets, respectively, representing a CAGR of approximately 11.5% from 31 December 2010 to 31 December 2012. Our revenue generated from our Retail Outlets were approximately HK$305.1 million, approximately HK$403.6 million and approximately HK$442.0 million for the years ended 31 December 2010, 2011 and 2012, respectively, representing approximately 83.4%, 85.4% and 87.5% of our total revenue, respectively. As part of our business strategy, we plan to continue expanding our sales network by opening additional Retail Outlets. We intend to use approximately 42.8% of the net proceeds we will receive from the Global Offering to continually increase the number of Retail Outlets. Our future growth will depend on our ability to open additional Retail Outlets, failure to do so may result in limited growth and reduced profitability.

Rental expenses and concession fees

Our Group has an extensive network of Retail Outlets in Hong Kong and Taiwan. As at 31 December 2012, we had a total of 102 Retail Outlets, comprising 54 in Hong Kong, 45 in Taiwan, and three in Macau. Our leases for self-rented shops generally require (i) a fixed rent payment depending on shop sizes and locations; or (ii) a turnover based rent payments. Our concession agreements for concessions require concession fee to be the higher amount between a contingent rent as a percentage of revenue and a specified

fixed rent, depending on the specific terms of the relevant concession agreements. The rental rate may be subject to a rental adjustment and/or customised contingent terms. We have no preference as to entering into leases with fixed or contingent rent.

For the self-rented shops in Hong Kong, Taiwan and Macau, the terms of our leases generally range from one to five years. For the concessions in Hong Kong and Taiwan, the duration of the concession agreements entered into between our Group and the relevant department stores or shopping malls generally range from six months to 24 months subject to renewal or extension upon expiration. Generally, the concession agreements in Hong Kong and Taiwan may be terminated by the operators of the department stores or shopping malls if our Group is in breach of terms of the agreement.

We considered the followings for opening and closing of Retail Outlets: (i) when we consider opening a new Retail Outlet, based on our management's experience in operations, we would review on ease of access for our customer, population density, potential growth of customer and vehicle traffic and proximity and performance of competitors nearby of the target location in that area; and (ii) weights the rentals against the sales projection of the next three years of a particular Retail Outlet.

The following table sets out our rental expenses in respect of self-rented shops and concessions, and rental expenses related to our revenue generated from our Retail Outlets for each of the three years ended 31 December 2012:

	For the year ended 31 December								
	2010			2011			2012		
	Number of Retail Outlets	*(HK$'000)*	*(% of Retail Outlets revenue)*	*Number of Retail Outlets*	*(HK$'000)*	*(% of Retail Outlets revenue)*	*Number of Retail Outlets*	*(HK$'000)*	*(% of Retail Outlets revenue)*
Self-rented shops	36	63,473	20.8	40	78,001	19.3	44	108,438	24.5
Concessions	46	28,372	9.3	49	42,982	10.7	58	49,921	11.3
Total	82	91,845	30.1	89	120,983	30.0	102	158,359	35.8

A significant portion of our Group's expenses consists of rental expenses including concession fees (excluding warehouses) which amounted to approximately HK$91.8 million, HK$121.0 million and HK$158.4 million, representing approximately 25.1%, 30.0%, and 35.8% of our Retail Outlets revenue for each of the years ended 31 December 2010, 2011 and 2012, respectively.

Our rental expenses increased from approximately HK$91.8 million for the year ended 31 December 2010 to approximately HK$158.4 million for the year ended 31 December 2012, representing a CAGR of approximately 31.3%. The increase was mainly attributable to (i) increase in rental fees on Retail Outlets; and (ii) addition of 20 Retail Outlets opened in high population density locations, of which some has higher rental rate per sq.ft..

Our rental expenses in respect of self-rented shops increased from approximately HK$63.5 million for the year ended 31 December 2010 to approximately HK$108.4 million for the year ended 31 December 2012, representing a CAGR of approximately 30.7%. The increase was mainly attributable to (i) increase in rental fees on self-rented shops; and (ii) addition of 8 self-rented shops opened in high population density locations, of which some has higher rental rate per sq.ft. for the expansion of our retail network. Our rental expenses in respect of self-rented shops also included contingent rent, which amounted to approximately HK$3.1 million, HK$2.8 million and HK$2.1 million for the years ended 31 December 2010, 2011 and 2012, respectively. The decrease in contingent rent payments in respect of self-rented shops during the Track Record Period was due to our Group had closed and did not renew some of the Retail Outlets that required additional contingent rent payments as a result of our management closely monitored our Group's rental expenses regarding the expansion via the self-rented shops. Our average monthly rental expenses per sq. ft. in respect to self-rented shops in Hong Kong increased from approximately HK$184.1 for the year ended 31 December 2010 to approximately HK$259.0 for the year ended 31 December 2012, representing a CAGR of approximately 18.6%.

Our rental expenses in respect of concessions increased from approximately HK$28.4 million for the year ended 31 December 2010 to approximately HK$49.9 million for the year ended 31 December 2012, representing a CAGR of approximately 32.6%. The increase was mainly attributable to (i) increase in sales generated in concessions as the contingent rent was based on a percentage of revenue; and (ii) addition of 8 concessions opened in high population density department stores and shopping mall for the expansion of our retail network. Our rental expenses in respect of concessions also included contingent rent payments, which amounted to approximately HK$22.7 million, HK$39.3 million and HK$41.1 million for the years ended 31 December 2010, 2011 and 2012, respectively. The increase was mainly due to the increase in sales generated in concessions as the contingent rent was based on a percentage of revenue, which the CAGR of our contingent rent was consistent with the CAGR of our revenue generated from concessions during the Track Record Period.

As we continue to open new Retail Outlets and expand our retail network, we expect our rental expenses related to our Retail Outlets will increase in the future. Our sales and profit growth will continue to depend on our ability to maintain the current size of the retail network for existing brands and/or to open new Retail Outlets to sell footwear products under new brands, our ability to effectively manage our Retail Outlets and the performance of these Retail Outlets.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in rental expenses on our profit before tax and our profit for the year during the Track Record Period. Fluctuations are assumed to be 5.0%, 8.0% and 10.0% for each of the three years ended 31 December 2010, 2011 and 2012, respectively, which correspond to the range of historical fluctuations of our rental expenses in respect to self-rented shops excluding contingent rent during the Track Record Period.

	(HK$'000, except percentages)					
Hypothetical Fluctuation	**+5%**	**-5%**	**+8%**	**-8%**	**+10%**	**-10%**
Impact on Certain Combined Income Statement Items for the year ended 31 December 2010						
Change in rental expenses	4,592	(4,592)	7,348	(7,348)	9,185	(9,185)
Change in profit before tax	(2,991)	2,991	(4,785)	4,785	(5,982)	5,982
Change in profit after tax	(2,434)	2,434	(3,894)	3,894	(4,868)	4,868
Impact on Certain Combined Income Statement Items for the year ended 31 December 2011						
Change in rental expenses	6,049	(6,049)	9,679	(9,679)	12,098	(12,098)
Change in profit before tax	(3,279)	3,279	(5,247)	5,247	(6,559)	6,559
Change in profit after tax	(2,748)	2,748	(4,397)	4,397	(5,496)	5,496
Impact on Certain Combined Income Statement Items for the year ended 31 December 2012						
Change in rental expenses	7,918	(7,918)	12,669	(12,669)	15,836	(15,836)
Change in profit before tax	(5,237)	5,237	(8,380)	8,380	(10,474)	10,474
Change in profit after tax	(4,360)	4,360	(6,977)	6,977	(8,721)	8,721

To manage the adverse impact of possible escalating the rental expenses, our management will negotiate the terms with the landlords or operators of the department stores and shopping malls in relation to the renewal of existing leases three to six months before their respective expiry dates. Our management will at the same time search for new locations as substitute. In case our leases could not be renewed with favourable terms upon expiry, our management would consider relocating such Retail Outlets to other suitable locations. Our management also intends to offer turnover based rent to secure the rental agreement in a longer period. Also, our management will ensure we have sufficient funding and working capital before we open/relocate our Retail Outlets.

Staff compensation expenses

Staff compensation costs is one of the significant components of our total costs. As at 31 December 2012, we had a total of 395 employees. Our sales commission in relation to our selling and distribution costs for the years ended 31 December 2010, 2011 and 2012 were approximately HK$8.3 million, HK$11.7 million and HK$11.4 million, respectively, representing approximately 2.3%, 2.5% and 2.3% of our total revenue, respectively. We seek to motivate our sales staff by performance-based commission in addition to their basic salary. During the Track Record Period, our sales staff received

commission based on their ability to meet the weekly and monthly sales targets and special sales target set by our management. On the other hand, our total staff costs (including director emoluments) for the years ended 31 December 2010, 2011 and 2012 were approximately HK$60.9 million, HK$85.2 million and HK$82.2 million, respectively, representing approximately 16.6%, 18.0% and 16.3% of our total revenue, respectively.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. The methods, estimates and judgments that we use in applying our accounting policies may have a significant impact on our results of operations. Some of the accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Below is a summary of the accounting policies in accordance with HKFRS that we believe are important to the presentation of our financial results and involve the need to make estimates and judgments about the effect of matters that are inherently uncertain. We also have other policies that we consider to be key accounting policies, which are set forth in detail in Note 3 to the Accountants' Report in Appendix I to this prospectus.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold or service provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- we have transferred to the buyer the significant risks and rewards of ownership of the goods;
- we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to our Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal

outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-time method or reducing balance method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease them and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Our Group as lessee

Assets held under finance leases are recognised as assets of our Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with our Group's policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, our Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to our Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as ''prepaid lease payments'' in the statements of financial position and is released over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits, amount due from immediate holding company, amounts due from related companies, amount due from a related party and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include our Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the general credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment

At the end of the reporting period, our Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

RESULTS OF OPERATIONS

The following table presents selected financial data relating to our results of operations during the Track Record Period as extracted from the Accountants' Report set out in Appendix I to this prospectus:

Combined Statements of Comprehensive Income

	For the year ended 31 December		
	2010	**2011**	**2012**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Revenue	365,846	472,443	505,289
Cost of goods sold	(148,508)	(175,910)	(178,326)
Gross profit	217,338	296,533	326,963
Other income	446	378	626
Other (losses) gains	(977)	530	414
Selling and distribution costs	(111,056)	(152,553)	(188,144)
Administrative expenses	(82,019)	(105,631)	(104,880)
Finance costs	(1,508)	(1,666)	(1,747)
Listing expenses	—	—	(3,110)
Profit before taxation	22,224	37,591	30,122
Taxation	(4,139)	(6,089)	(5,043)
Profit for the year	18,085	31,502	25,079
Other comprehensive income (expense)			
Exchange differences arising on translation	298	(602)	465
Total comprehensive income for the year	18,383	30,900	25,544
Profit for the year attributable to owners of the Company	18,085	31,502	25,079
Total comprehensive income attributable to owners of the Company	18,383	30,900	25,544

DESCRIPTION OF SELECTED STATEMENTS OF COMPREHENSIVE INCOME LINE ITEMS

Revenue

Our revenue mainly derives from (i) retail through our Retail Outlets for sale of footwear products to end consumers; and (ii) wholesale through sales of footwear products to third parties which are mainly footwear retail chain stores and department stores. Revenue is measured net of discounts and returns. Our revenue increased by approximately HK$106.6 million or 29.1% from approximately HK$365.8 million for FY2010 to approximately HK$472.4 million for FY2011, and further increased by approximately HK$32.9 million or 7.0% to approximately HK$505.3 million for FY2012, representing a CAGR of approximately 13.9%.

Revenue by brands

The table below sets forth our revenue breakdown by brands and ASP for the periods indicated:

	For the year ended 31 December											
	2010				2011				2012			
	(HK$'000)	*%*	*Units*	*ASP*	*(HK$'000)*	*%*	*Units*	*ASP*	*(HK$'000)*	*%*	*Units*	*ASP*
Clarks	295,993	80.9	354,857	834	400,853	84.8	425,986	941	404,434	80.0	417,193	969
Josef Seibel	21,391	5.9	43,730	489	43,452	9.2	78,345	555	67,164	13.3	119,790	561
The Flexx	—	—	—	—	5,954	1.3	8,638	689	9,558	1.9	14,949	639
Yokono and Yokono K	—	—	—	—	—	—	—	—	1,382	0.3	2,374	582
Others[1]	48,462	13.2	105,222	461	22,184	4.7	122,522	181	22,751	4.5	106,684	213
Total	365,846	100.0	503,809	726	472,443	100.0	635,491	743	505,289	100.0	660,990	764

Note:

1. Others include footwear products of other brands and accessories.

Our revenue generated from the sales of Clarks and Josef Seibel branded footwear products contributed for a significant portion of our revenue during the Track Record Period, which represented approximately 86.8%, 94.0% and 93.3% of our revenue for the years ended 31 December 2010, 2011 and 2012, respectively.

Clarks

Our revenue from the sale of Clarks branded footwear products increased by approximately HK$104.9 million or 35.4% from approximately HK$296.0 million for FY2010 to approximately HK$400.9 million for FY2011, and further increased by approximately HK$3.5 million or 0.9% to approximately HK$404.4 million for FY2012, representing of a CAGR of approximately 12.7%. The increase in revenue from the sale of Clarks branded footwear products during the Track Record Period was attributable to the increase in footwear units sold from 354,857 units in FY2010 to 417,193 units in FY2012, representing a CAGR of approximately 8.4%. The increase was also reflected by the increase in ASP of approximately HK$107 between FY2010 and FY2011, and approximately HK$28 between FY2011 and FY2012.

Josef Seibel

Our revenue from the sale of Josef Seibel branded footwear products increased by approximately HK$22.1 million or 103.3% from approximately HK$21.4 million for FY2010 to approximately HK$43.5 million for FY2011, and continued to increase by approximately HK$23.7 million or 54.5% to approximately HK$67.2 million for FY2012, representing of a CAGR of approximately 77.2%. The increase in revenue from the sale of Josef Seibel branded footwear products during the Track Record Period was attributable to the increase in footwear units sold from 43,730 units in FY2010 to 119,790 units in FY2012, representing a CAGR of approximately 65.5%. The increase was also reflected by the increase in ASP of approximately HK$66 between FY2010 and FY2011 and approximately HK$6 between FY2011 and FY2012.

The Flexx

Our revenue from the sale of The Flexx branded footwear products increased by approximately HK$3.7 million or 62.7%, from approximately HK$5.9 million for FY2010 to approximately HK$9.6 million for FY2011. The increase in revenue from the sale of The Flexx branded footwear products was attributable to the increase in footwear units sold by 6,311 units, from 8,638 units in FY2011 to 14,949 units in FY2012 coupled with the decrease in ASP of approximately HK$50, from approximately HK$689 in FY2011 to approximately HK$639 in FY2012, as a result of selling The Flexx branded footwear products in our chain stores under the brand ''shoe mart'' at a discounted price to attract additional customers.

Yokono

Our Group recorded additional revenue from the sale of Yokono branded footwear products amounted approximately HK$1.4 million for the year ended 2012.

Others

Our revenue from the sale of others decreased during the Track Record Period primarily due to the product mix in this product category, mainly socks, insoles, footwear kits and other footwear accessories, resulting in a higher sales volume with a significantly lower ASP and a corresponding decrease in revenue during the Track Record Period.

The increase in our revenue from the sales of Clarks, Josef Seibel and others during the Track Record Period was primarily due to the increase in the number of footwear units sold and the increase of ASP. For the years ended December 2010, 2011 and 2012, we sold footwear units of 503,809 units, 635,491 units and 660,990 units, respectively, representing an increase of 131,682 units or approximately 26.1% between FY2010 and FY2011 and 25,499 units or approximately 4.0% between FY2011 and FY2012, representing a CAGR of approximately 14.5% during the Track Record Period. For the years ended December 2010, 2011 and 2012, our overall ASP were approximately HK$726, HK$743 and HK$764, the increase in our ASP is approximately 2.3% between FY2010 and FY2011 and 2.8% between FY2011 and FY2012.

Revenue by channels and geographical region

Our revenue generated from retail accounted for over 80.0% of our total revenue during the Track Record Period. Our revenue by geographical regions include Hong Kong, Taiwan and Macau. The table below sets forth our revenue breakdown by sales made through retail and wholesale sales, and sales derive from geographical regions for the periods indicated:

	For the year ended 31 December					
	2010		**2011**		**2012**	
	(HK$'000)	*%*	*(HK$'000)*	*%*	*(HK$'000)*	*%*
Hong Kong						
Retail	274,231	75.0	312,499	66.1	339,830	67.3
Wholesale	56,424	15.4	57,335	12.2	53,686	10.6
Subtotal	330,655	90.4	369,834	78.3	393,516	77.9
Taiwan						
Retail	19,912	5.4	76,797	16.3	87,354	17.3
Wholesale	4,268	1.2	11,470	2.4	9,635	1.9
Subtotal	24,180	6.6	88,267	18.7	96,989	19.2
Macau						
Retail	11,011	3.0	14,342	3.0	14,784	2.9
Wholesale	—	—	—	—	—	—
Subtotal	11,011	3.0	14,342	3.0	14,784	2.9
Total	**365,846**	**100.0**	**472,443**	**100.0**	**505,289**	**100.0**
Retail						
Self-rented shops	199,279	54.5	239,515	50.7	254,319	50.3
Concessions	105,875	28.9	164,123	34.7	187,649	37.2
	305,154	83.4	403,638	85.4	441,968	87.5
Wholesale	60,692	16.6	68,805	14.6	63,321	12.5
Total	**365,846**	**100.0**	**472,443**	**100.0**	**505,289**	**100.0**

Our revenue generated from retail sales was continuously increasing during the Track Record Period as per our Group's strategic development plan of targeting retail market over wholesale, our revenue from retail for the years ended 31 December 2010, 2011 and 2012 were approximately HK$305.1 million, HK$403.6 million and HK$442.0 million, representing approximately 83.4%, 85.4% and 87.5% of the total revenue, respectively, also representing a CAGR of approximately 20.3%, while our revenue generated from wholesale for the years ended 31 December 2010, 2011 and 2012 were approximately HK$60.7 million, HK$68.8 million and HK$63.3 million, representing approximately 16.6%, 14.6% and 12.5% of the total revenue, respectively, also representing an increase of approximately 4.3% from FY2010 to FY2012.

Our revenue derived from Hong Kong, Taiwan and Macau were attributable to the increase in sale of footwear products from our Retail Outlets. For the years ended 31 December 2010, 2011 and 2012, our revenue derived from Hong Kong were amounted approximately HK$330.7 million, HK$369.8 million and HK$393.5 million, representing approximately 90.4%, 78.3% and 77.9%, respectively. Our revenue derived from Taiwan increased by approximately HK$64.1 million or 264.9% from approximately HK$24.2 million for FY2010 to approximately HK$88.3 million for FY2011, and further increased by approximately HK$8.7 million or 9.9% to approximately HK$97.0 million for FY2012, representing of a CAGR of approximately 100.2%. Our revenue derived from Macau increased by approximately HK$3.8 million or 34.5% from approximately HK$11.0 million for FY2010 to approximately HK$14.8 million for FY2012, representing a CAGR of approximately 16.0%.

Our average annual revenue from retail per sq. ft. amounted to approximately HK$5,100, HK$5,700 and HK$5,700 for each of the three years ended 31 December 2010, 2011 and 2012, respectively. The stagnant growth in 2012 was mainly due to the global economic slowdown from the fiscal cliff in the United States and the debt crisis in the Eurozone, which affected economic recovery and consumer confidence.

Comparable Retail Outlet sales and gross profit

Our profitability is affected in part by our ability to successfully grow revenue from our existing Retail Outlets. We believe that comparable Retail Outlets sales provide a meaningful period-to-period comparison of Retail Outlets performance because they exclude increases that are due to the opening of new Retail Outlets. We define our comparable Retail Outlets base to be those Retail Outlets that were opened throughout the periods under comparison. For example, the comparable Retail Outlets for FY2010 and FY2011 are Retail Outlets that were opened and operating throughout both FY2010 and FY2011.

Comparable Retail Outlets sales are primarily affected by the selling price of our footwear products. We focused on increasing comparable Retail Outlets sales by (i) continuously introducing new product lines under our existing licensed brands and footwear products under new brands; and (ii) strategically targeting different types of customers using our footwear product mix and carefully selecting locations for Retail Outlets in high customer traffic areas.

The table below sets forth our comparable Retail Outlet sales over the Track Record Period.

	For the year ended 31 December		For the year ended 31 December	
	2010	2011	2011	2012
Number of comparable Retail Outlets				
Hong Kong	31	31	31	31
Taiwan	—	—	33	33
Macau	3	3	3	3
Total number	34	34	67	67
Comparable Retail Outlets sales *(HK$'000)*				
Hong Kong	189,778	227,222	252,980	259,045
Taiwan	—	—	69,602	69,057
Macau	11,010	14,342	14,342	14,784
Total sales	200,788	241,564	336,924	342,886
Percentage increase of comparable footwear sales during comparable periods				
Hong Kong	19.7%		2.4%	
Taiwan	—		(0.8)%	
Macau	30.3%		3.1%	
Overall increase	20.3%		1.8%	
Comparable Retail Outlets gross profit and gross profit margin *(HK$'000, except percentages)*				
Gross profit	129,448	159,815	215,266	221,246
Gross profit margin	64.5%	66.2%	63.9%	64.5%

Hong Kong

Our comparable Retail Outlet sales in Hong Kong recorded a growth rate of approximately 19.7% from approximately HK$189.8 million in the year ended 31 December 2010 to approximately HK$227.2 million in the year ended 31 December 2011. The growth was attributable to 31 existing Retail Outlets from 2010 to 2011, and the reasons for the growth were attributable to (i) the growing retail market in Hong Kong reflected by the strong support from mainland Chinese tourists; (ii) the increase in product mix; and (iii) the increase in ASP. Our comparable Retail Outlet sales in Hong Kong

recorded a slower growth rate of approximately 2.4% from approximately HK$253.0 million in the year ended 31 December 2011 to approximately HK$259.0 million in the year ended 31 December 2012. The slower growth was mainly due to the global economic slowdown from the fiscal cliff in the United States and the debt crisis in the Eurozone, which affected economic recovery and consumer confidence.

Taiwan

Our comparable Retail Outlet sales in Taiwan remained relatively stable at approximately HK$69.6 million and HK$69.1 million for the two years ended 31 December 2012, respectively.

Macau

Our comparable Retail Outlet sales in Macau recorded a growth rate of approximately 30.3% from approximately HK$11.0 million in the year ended 31 December 2010 to approximately HK$14.3 million in the year ended 31 December 2011. The growth was mainly attributable to three existing Retail Outlets from 2010 to 2011, and the reasons for the growth were attributable to (i) the growing retail market in Macau reflected by the strong spending power from mainland Chinese visitors; (ii) the increase in product mix; and (iii) the increase in ASP. Our comparable Retail Outlet sales in Macau recorded a slower growth rate of approximately 3.1% from approximately HK$14.3 million in the year ended 31 December 2011 to approximately HK$14.8 million in the year ended 31 December 2012. The diminishing growth was mainly due to the global economic slowdown.

Our average turnover per Retail Outlet[(1)] decreased by approximately HK$0.1 million or 2.1%, from approximately HK$4.7 million for the year ended 31 December 2011 to approximately HK$4.6 million for the year ended 31 December 2012. The decrease was primarily due to (i) the slower growth rate of comparable Retail Outlet sales of approximately 1.8% in 2012 compare to 20.3% in 2011 because of the above reasons; (ii) the diminishing growth in sales generated from Retail Outlets in 2012 reflected by the global economic slowdown; and (iii) the growth in Retail Outlets from the net increase of 7 Retail Outlets during the year 2011 to 13 Retail Outlets during the year 2012 which some of the Retail Outlets are still in the development period for the sales of the newly opened Retail Outlets to pick up.

Gross profit and gross profit margin

Our comparable Retail Outlets' gross profit for the two years ended 31 December 2010 and 2011 were approximately HK$129.5 million and HK$159.8 million, respectively. The increase was primarily attributable to (i) the increase in sales from our newly added Retail Outlets which opened in 2009; and (ii) the increase in ASP of our products sold via our Retail Outlets. Our comparable Retail Outlets' gross profit for the two years ended 31 December 2011 and 2012 were approximately HK$215.3 million and HK$221.2 million, respectively. The increase was primarily attributable to (i) the increase in sales from our newly added Retail Outlets which opened in 2010; and (ii) the increase in ASP of our products sold via our Retail Outlets.

Our comparable Retail Outlets' gross profit margin for the two years ended 31 December 2010 and 2011 were approximately 64.5% and 66.2%, respectively. The increase was primarily attributable to the increase in ASP of our products sold via our Retail Outlets. Our comparable Retail Outlets' gross profit margin for the two years ended 31 December 2011 and 2012 were approximately 63.9% and 64.5%, respectively, which remained stable for the two years.

Our Group did not obtain any discounts or rebates from its suppliers during the Track Record Period. Our Group does not have any specific return policy with its suppliers and if there were any requests for reimbursement from the suppliers, it would be on a case by case basis.

Note:

1. Average turnover per Retail Outlet equal to the turnover divided by Average Retail Outlet. Average Retail Outlet equals Retail Outlets at the beginning of the year plus Retail Outlets at the end of the year divided by two.

Cost of goods sold

Our cost of goods sold primarily comprises of the cost of new footwear products purchased from our respective suppliers and allowance for inventories. For the three years ended 31 December 2010, 2011 and 2012, our cost of goods sold were approximately HK$148.5 million, HK$175.9 million and HK$178.3 million, respectively. Our cost of goods sold increased from approximately HK$148.5 million for the year ended 31 December 2010 to approximately HK$178.3 million for the year ended 31 December 2012, representing an increase of approximately HK$29.8 million or 20.1%. The increase was primarily a result of increase in sales volume of footwear products.

Gross profit and gross profit margin

The table below sets forth our breakdown of gross profit and gross profit margin by channels for the periods indicated:

	For the year ended 31 December					
	2010		2011		2012	
	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin
	(HK$'000)	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Retail	196,035	64.2	267,929	66.4	297,962	67.4
Wholesale	21,303	35.1	28,604	41.6	29,001	45.8
Total	217,338	59.4	296,533	62.8	326,963	64.7

Our gross profit were approximately HK$217.3 million, HK$296.5 million and HK$327.0 million, representing approximately 59.4%, 62.8% and 64.7% of the total revenue for the years ended 31 December 2010, 2011 and 2012, respectively.

Our gross profit margin from retail increased from approximately 64.2% for the year ended 31 December 2010 to approximately 66.4% for the year ended 31 December 2011, primarily attributable to an increase in ASP of our products sold via our Retail Outlets. Our gross profit margin from retail remained relatively stable at approximately 66.4% and 67.4% for the two years ended 31 December 2012, respectively.

Our gross profit margin of sales to wholesale customers increased from approximately 35.1% for the year ended 31 December 2010 to approximately 41.6% for the year ended 31 December 2011 and to approximately 45.8% for the year ended 2012, primarily attributable to the change in product mix where more footwear products of higher gross profit margin were sold to our wholesale customers. The footwear products sold to wholesale customers with higher gross profit margin during the Track Record Period were mainly products of Clarks and Josef Seibel; these footwear products were sold to wholesale customers within one month after being launched in our Retail Outlets and at a slightly lower selling price than our Retail Outlets. As a result, we sold to wholesale customers at a lower price and relied on wholesale customer as one of our sales channels.

Our gross profit margin of total revenue increased from approximately 59.4% for the year ended 31 December 2010 to approximately 62.8% for the year ended 31 December 2011 and to approximately 64.7% for the year ended 2012, primarily attributable to the increase in ASP of our footwear products. The increase in our ASP were approximately 2.3% between FY2010 and FY2011 and approximately 2.8% between FY2011 and FY2012, primarily reflected by our careful positioning and management of each brand and sales channel, and the offering of products which highlight each brand's unique style and image, which allowed us to position products of these brands with premium pricing. As a result, we were able to maintain the gross profit margin from overall sales of our footwear products during the Track Record Period.

Other income

Our other income mainly consists of (i) management fee income received from related parties, Zenico (Asia) Co., Ltd and Lekin Limited for leasing office space; (ii) commission income from our suppliers; and (iii) interest income from bank deposits.

Other (losses) gains

Our other (losses) gains mainly consist of (i) net exchange (loss) gain; and (ii) (loss) gain on disposal of property, plant and equipment.

Selling and distribution costs

The table below sets forth our breakdown of selling and distribution costs for the periods indicated:

	For the year ended 31 December					
	2010		2011		2012	
	(HK$'000)	*%*	*(HK$'000)*	*%*	*(HK$'000)*	*%*
Rental fees	63,473	57.2	78,001	51.1	108,438	57.6
Concession fees	28,372	25.6	42,982	28.2	49,921	26.5
Sales commission	8,326	7.5	11,668	7.6	11,467	6.1
Marketing and promotion expenses	7,809	7.0	8,171	5.5	2,776	1.5
Depreciation	296	0.3	1,537	1.0	2,534	1.3
Others*(Note)*	2,780	2.4	10,194	6.6	13,008	7.0
Total	111,056	100.0	152,553	100.0	188,144	100.0

Note:

Others primarily includes business development expenses, utility charges, and miscellaneous expenses.

Our selling and distribution costs primarily consist of rental fees, concession fees, sales commission, marketing and promotion expenses and depreciation. Sales commission and salary represents the performance based commission for our sales staff in addition to their basic salary. Selling and distribution costs were approximately HK$111.1 million, HK$152.6 million and HK$188.1 million, representing approximately 30.4%, 32.3% and 37.2% of the total revenue for the years ended 31 December 2010, 2011 and 2012, respectively.

Our selling and distribution costs increased by approximately HK$77.0 million or 69.3% from approximately HK$111.1 million in FY2010 to approximately HK$188.1 million in FY2012 primarily due to (i) the increase in rental fees by approximately HK$45.0 million as a result of increase in numbers of our Retail Outlets; (ii) the increase in concession fees by approximately HK$21.5 million as a result of increase in our department stores revenue; and (iii) the increase in sales commission by approximately HK$3.1 million.

Administrative expenses

The table below sets forth our breakdown of administrative expenses for the period indicated:

	Year ended 31 December					
	2010		2011		2012	
	(HK$'000)	*%*	*(HK$'000)*	*%*	*(HK$'000)*	*%*
Salaries and allowance	45,892	56.0	61,739	58.4	58,880	56.1
Depreciation	5,700	6.9	5,992	5.7	8,227	7.8
Building management fees	3,760	4.6	3,932	3.7	4,213	4.0
Mandatory provident fund	1,880	2.3	2,283	2.2	2,663	2.5
Staff welfare	3,303	4.0	2,617	2.5	1,527	1.5
Rent and rates	788	1.0	699	0.7	833	0.8
Auditor's remuneration	279	0.3	337	0.3	333	0.3
Entertainment expenses	78	0.1	107	0.1	217	0.2
Others*(Note)*	20,339	24.8	27,925	26.4	27,987	26.8
Total	82,019	100.0	105,631	100.0	104,880	100.0

Note:

Others primarily includes motor vehicles expenses, overseas travelling, bank charges and repairs and maintenance.

Our administrative expenses primarily consist of salaries and allowance, depreciation, building management fee, mandatory provident fund, rent and rates, staff welfare, auditor's remuneration and entertainment expenses. The building management fees represent the fees charged by property management companies of the building and premises and the operators of the department stores and shopping malls for common area maintenance. Administrative expenses were approximately HK$82.0 million, HK$105.6 million and HK$104.9 million, respectively, represented approximately 22.4%, 22.4% and 20.8% of our total revenue for the years ended 31 December 2010, 2011 and 2012, respectively.

Our administrative expenses increased by approximately HK$22.9 million or 27.9% from approximately HK$82.0 million in FY2010 to approximately HK$104.9 million in FY2012 primarily due to (i) the increase in salaries and allowance by approximately HK$13.0 million; and (ii) the increase in depreciation by approximately HK$2.5 million.

Finance costs

Our finance costs mainly represent interest expenses on (i) bank borrowings; (ii) amounts due to related parties; (iii) bank overdrafts; and (iv) finance leases obligations.

Taxation

Our Company and subsidiaries are incorporated in different jurisdictions with different taxation requirements. Our Hong Kong subsidiaries were subject to Hong Kong profits tax at 16.5% on the estimated assessable during the Track Record Period. Our Taiwan branch was subject to Taiwan profits tax at 17.0% on the estimated assessable profit during the Track Record Period. Our Macau subsidiary was subject to Macau Complementary Tax which is levied at progressive rates ranging from 9% to 12% on the estimated assessable profit during the Track Record Period. Our effective tax rates were approximately 18.6%, 16.2% and 16.7% for the years ended 31 December 2010, 2011 and 2012, respectively. Our higher effective tax rate in 2010 was due to non-deductible entertainment expenses and donations during the year.

Our Group had unutilised tax losses of approximately HK$117,000, HK$117,000 and HK$1,408,000 as at 31 December 2010, 2011 and 2012, respectively, which were mainly attributable to Aiuti and Shoe Mart Company. As at 31 December 2010, 2011 and 2012, there were unutilised tax losses of approximately HK$117,000, HK$117,000 and HK$117,000, respectively, which were recorded from Aiuti. Aiuti was a subsidiary of Grand Asian, and is principally engaged in trading of Aiuti branded footwear products in our Retail Outlets. Aiuti had recorded losses before the Track Record Period primarily due to the lack of sales. Aiuti ceased business since 2009 and became dormant from 2009 to 2012. On 21 January 2013, Grand Asian disposed of and transferred its entire interest in Aiuti to CN Fashion. As at 31 December 2012, an additional unused tax loss unutilised of approximately HK$1,291,000 was recorded from Shoe Mart Company. Shoe Mart Company is a subsidiary of Grand Asian, and is principally engaged in the sale of discounted footwear products. The unutilised tax loss recorded from Shoe Mart Company was primarily due to the increase in expenses in 2012 mainly arising from opened three new self-rented shops under Shoe Mart Company in March, May and August 2012, respectively.

Our Directors confirm that we have made all required tax filings in all relevant jurisdictions and paid all tax liabilities that have become due. We are not subject to any dispute or potential dispute with any tax authorities.

REVIEW OF HISTORICAL OPERATING RESULTS

Period to period comparison of results of operations

FY2012 compared with FY2011

Revenue

Our revenue increased from approximately HK$472.4 million in FY2011 to approximately HK$505.3 million in FY2012, with an increase of approximately HK$32.9 million or 7.0%. The increase was primarily attributable to the increase in sales volume reflected by overall growth in demand under the footwear industry in Hong Kong, Taiwan and Macau, which were related to greater PRC tourist flows into Hong Kong, and Taiwan

and Macau with growing wealth and consumption power and greater desire for more well-established brands. The increase was also attributable to the increase in our ASP of approximately 2.8% in FY2012 as part of our Group's pricing strategy.

Revenue by channels

Our Group's reportable segment revenue derived from retail increased by approximately HK$38.4 million or 9.5% from approximately HK$403.6 million in the FY2011 to approximately HK$442.0 million in the FY2012. The increase in retail was primarily attributable to the increase in sales volume and addition of 12 and five Retail Outlets added in Hong Kong and Taiwan, respectively.

Our Group's reportable segment revenue derived from wholesale to external customers decreased by approximately HK$5.5 million or 8.0% from approximately HK$68.8 million in the FY2011 to approximately HK$63.3 million in the FY2012. The decrease in the wholesale to external customers was primarily reflected by our Group's strategic development plan of targeting retail market over wholesale as a result of higher profit margin.

Revenue by geographical region

Our Group's revenue derived from Hong Kong increased by approximately HK$23.7 million or 6.4% from approximately HK$369.8 million in FY2011 to approximately HK$393.5 million in FY2012. The increase was primarily reflected by the increase in sales volume from retail coupled with addition of 12 Retail Outlets opened in Hong Kong in FY2012.

Our Group's revenue derived from Taiwan increased by approximately HK$8.7 million, or 9.9% from approximately HK$88.3 million in FY2011 to approximately HK$97.0 million in FY2012. The increase was primarily reflected by the increases from retail attributable to the increase in sales volume from retail and addition of five Retail Outlets opened in FY2012.

Our Group's revenue derived from Macau increased by approximately HK$0.5 million or 3.5% from approximately HK$14.3 million in FY2011 to approximately HK$14.8 million in FY2012. The increase was primarily reflected by the increase in ASP and the increase in sales volume from the same Retail Outlets compared to last year.

Cost of goods sold

Our cost of goods sold increased from approximately HK$175.9 million in FY2011 to approximately HK$178.3 million in FY2012, with an increase of approximately HK$2.4 million or 1.4%. The increase was primarily attributable to the increase in footwear sales volume.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$30.5 million or 10.3%, from approximately HK$296.5 million in FY2011 to approximately HK$327.0 million in FY2012. The gross profit margin increased from approximately 62.8% in FY2011 to approximately 64.7% in FY2012 which was primarily due to the increase in sales volume coupled with our adjustment of product mix and selling price which increased our sales of high margin products.

Gross profit and gross profit margin from retail

Our gross profit from retail increased by approximately HK$30.1 million or 11.2%, from approximately HK$267.9 million in FY2011 to approximately HK$298.0 million in FY2012 and the gross profit margin from retail for the FY2011 and FY2012 were approximately 66.4% and 67.4%, respectively, which remained stable for the two years. Our management believed that our slight increase in gross profit margin from retail to approximately 67.4% was primarily due to the increase in ASP of footwear products of approximately 2.8% in the FY2012.

Gross profit and gross profit margin from wholesale

Our gross profit from wholesale increased by approximately HK$0.4 million or 1.4%, from approximately HK$28.6 million in FY2011 to approximately HK$29.0 million in FY2012 and the gross profit margin from wholesale increased by approximately 4.2% from approximately 41.6% in FY2011 to approximately 45.8% in FY2012, was attributable to (i) the increase in ASP; and (ii) change in product mix where high profit margin footwear products were sold to our wholesale customers. Our management believe that Clarks branded footwear products are still in high demand in terms of the purchases from our wholesale customers despite the higher selling price coupled with higher profit margin, which will always affect our gross profit margin from wholesale.

Other income

Our other income increased by approximately HK$0.2 million or 50.0%, from approximately HK$0.4 million in FY2011 to approximately HK$0.6 million in FY2012. The increase was mainly reflected by the additional management fee income of approximately HK$0.1 million from the related company, Lekin Limited.

Other (losses) gains

Our other (losses) gains decreased by approximately HK$0.1 million or 20.0%, from approximately HK$0.5 million in FY2011 to approximately HK$0.4 million in FY2012. The amount mainly comprised of net exchange gain of approximately HK$0.4 million.

Selling and distribution costs

Our selling and distribution costs increased by approximately HK$35.5 million or 23.3%, from approximately HK$152.6 million in FY2011 to approximately HK$188.1 million in FY2012. The increase was primarily due to (i) the increase in rental fees by approximately HK$30.4 million from the increase in rental fees on all Retail Outlets and the addition of 17 Retail Outlets as a result of the expansion of our sales network; and (ii) the increase in concession fees by approximately HK$6.9 million from the increase in sales in concessions within the department stores.

Administrative expenses

Our administrative expenses decreased by approximately HK$0.7 million or 0.7%, from approximately HK$105.6 million in FY2011 to approximately HK$104.9 million in FY2012. The decrease was primarily reflected by the decrease in salaries and allowance of approximately HK$2.8 million as no directors' fee and performance related incentive payment were declared, the effect of which was partially offset by the increase in depreciation of approximately HK$2.2 million.

Finance costs

Our finance costs increased by approximately HK$0.1 million or 4.9%, from approximately HK$1.7 million in FY2011 to approximately HK$1.7 million in FY2012. The increase was primarily reflected by the increase in interest expense due to increase in bank borrowings.

Taxation

Our taxes decreased by approximately HK$1.1 million or 18.0%, from approximately HK$6.1 million in FY2011 to approximately HK$5.0 million in FY2012. The decreased was primarily reflected by to the decrease in profit before taxation in FY2012. Our effective income tax rate for the FY2011 and FY2012 were approximately 16.2% and 16.7%, respectively, which remained stable for the two years.

Profit for the year

As a result of the foregoing factors, our profit for the year decreased by approximately HK$6.4 million or 20.3%, from approximately HK$31.5 million in FY2011 to approximately HK$25.1 million in FY2012.

FY2011 compared with FY2010

Revenue

Our revenue increased from approximately HK$365.8 million in FY2010 to approximately HK$472.4 million in FY2011, with an increase of approximately HK$106.6 million or 29.1%. The increase was primarily attributable to the increase in sales volume from 18 additional Retail Outlets and overall growth in demand under the

footwear industry in Hong Kong, Taiwan and Macau, which relates to greater PRC tourist flows into Hong Kong, Taiwan and Macau with growing wealth and consumption power and greater desire for more well-established brands. The increase was also attributable to the increase in our ASP of approximately 2.3% in FY2011 as part of our Group's pricing strategy.

Revenue by channels

Our Group's reportable segment revenue derived from retail increased by approximately HK$98.4 million or 32.2% from approximately HK$305.2 million in the FY2010 to approximately HK$403.6 million in the FY2011. The increase in retail was primarily attributable to the increase in sales volume and addition of 11 and 7 Retail Outlets added in Hong Kong and Taiwan, respectively.

Our Group's reportable segment revenue derived from wholesale to external customers increased by approximately HK$8.1 million or 13.4% from approximately HK$60.7 million in the FY2010 to approximately HK$68.8 million in the FY2011. The increase in the wholesale to external customers was primarily reflected by increase in wholesale sales in Taiwan upon the establishment of Kong Tai Sundry Goods (Taiwan) in June 2010.

Revenue by geographical region

Our Group's revenue derived from Hong Kong increased by approximately HK$39.1 million or 11.8% from approximately HK$330.7 million in FY2010 to approximately HK$369.8 million in FY2011. The increase was primarily reflected by the increase in the sales volume from retail coupled with addition of 11 retail outlets opened in Hong Kong in FY2011.

Our Group's revenue derived from Taiwan increased by approximately HK$64.1 million or 264.9% from approximately HK$24.2 million in FY2010 to approximately HK$88.3 million in FY2011. The increase was primarily reflected by a full year of sales recorded in FY2011, whereas the sales in FY2010 only recorded for a few months due to the branch in Taiwan was newly incorporated since June of FY2010.

Our Group's revenue derived from Macau increased by approximately HK$3.3 million or 30.0% from approximately HK$11.0 million in FY2010 to approximately HK$14.3 million in FY2011. The increase was primarily reflected by the increase in ASP and the increase in sales volume for the same Retail Outlets compared to last year.

Cost of goods sold

Our cost of goods sold increased from approximately HK$148.5 million in FY2010 to approximately HK$175.9 million in FY2011, with an increase of approximately HK$27.4 million or 18.5%. The increase was primarily attributable to increase in footwear sales volume.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$79.2 million or 36.4%, from approximately HK$217.3 million in FY2010 to approximately HK$296.5 million in FY2011. The gross profit margin increased from approximately 59.4% in FY2010 to approximately 62.8% in FY2011 which was primarily due to the increase in sales volume coupled with our adjustment of product mix and selling price which increased our sales of high margin products.

Gross profit and gross profit margin from retail

Our gross profit from retail increased by approximately HK$71.9 million or 36.7%, from approximately HK$196.0 million in FY2010 to approximately HK$267.9 million in FY2011 and the gross profit margin from retail increased by approximately 2.2% from approximately 64.2% in FY2010 to approximately 66.4% in FY2011, was attributable to (i) the increase in ASP; and (ii) the increase in sales volume of higher margin footwear products.

Gross profit and gross profit margin from wholesale

Our gross profit from wholesale increased by approximately HK$7.3 million or 34.3%, from approximately HK$21.3 million in FY2010 to approximately HK$28.6 million in FY2011 and the gross profit margin from wholesale increased by approximately 6.5% from approximately 35.1% in FY2010 to approximately 41.6% in FY2011, was attributable to (i) the increase in selling price for Clarks branded footwear products sold to our wholesale customers; and (ii) change in product mix where high profit margin footwear products were sold to our wholesale customers.

Other income

Our other income for the FY2010 and FY2011 were approximately HK$0.4 million and HK$0.4 million, respectively, which remained stable for the two years.

Other (losses) gains

Our other (losses) gains increased by approximately HK$1.5 million or 153.1%, from a loss of approximately HK$0.98 million in FY2010 to a gain of approximately HK$0.53 million in FY2011. The amount mainly comprised of gain on disposal of property, plant and equipment of approximately HK$0.43 million and net exchange gain of approximately HK$0.12 million.

Selling and distribution costs

Our selling and distribution costs increased by approximately HK$41.5 million or 37.4%, from approximately HK$111.1 million in FY2010 to approximately HK$152.6 million in FY2011. The increase was primarily due to (i) the increase in rental fees by approximately HK$14.5 million, from the increase in rental fees on all Retail Outlets and the addition of 18 Retail Outlets as a result of the expansion of our sale network; (ii) the

increase in concession fees by approximately HK$14.6 million from the increase in sales in concessions within the department stores; (iii) the increase in sales commission by approximately HK$3.3 million; and (iv) the increase in depreciation by approximately HK$1.2 million.

Administrative expenses

Our administrative expenses increased by approximately HK$23.6 million or 28.8%, from approximately HK$82.0 million in FY2010 to approximately HK$105.6 million in FY2011. The increase was mainly due to the increase in salaries and allowance of approximately HK$15.8 million.

Finance costs

Our finance costs increased by approximately HK$0.2 million or 13.3%, from approximately HK$1.5 million in FY2010 to approximately HK$1.7 million in FY2011. The increase was primarily reflected by the increase in interest expense due to increase in bank borrowings.

Taxation

Our taxes increased by approximately HK$2.0 million or 48.8%, from approximately HK$4.1 million in FY2010 to approximately HK$6.1 million in FY2011. The increase was primarily reflected by to the increase in profit before taxation in FY2011. Our effective income tax rate decreased from approximately 18.6% in FY2010 to approximately 16.2% in FY2011 primarily due to the impact of non-deductible entertainment expenses and donations in FY2010.

Profit for the year

As a result of the foregoing factors, our profit for the year increased by approximately HK$13.4 million or 74.0%, from approximately HK$18.1 million in FY2010 to approximately HK$31.5 million in FY2011.

LIQUIDITY AND CAPITAL RESOURCES

We have historically met our working capital and other liquidity requirements through a combination of cash flow from operations and bank loans. We were able to repay our obligations under bank loans when they became due during the Track Record Period. Our Directors are not aware of any material change to the underlying drivers of the sources of cash of our Group and the use of cash by our Group subsequent to 31 December 2012 and up to the date of this prospectus. The management of our Group is responsible for handling the liquidity risk management. Our Group is able to manage liquidity risk by maintaining adequate reserves, banking facilities, continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. In the event that additional working capital is required for business expansion, our Group may approach banks to obtain additional banking facilities and/or negotiate with its existing bank for an increase in banking facilities. Our principal uses of cash have been, and are

expected to continue to be, operational costs and capital investments for maintaining existing Retail Outlets and opening of new Retail Outlets under our expansion of retail network.

To ensure our Group's operating cash flow can maintain at a sufficient level, our management will closely monitor the pace of our Group's expansion. The Directors will control the pace of its expansion of the opening of new Retail Outlets. We will intend to maintain an inventory of around 1,000 to 3,000 pair of shoes for each Retail Outlet, based on the product mix and sale of our footwear products currently sold at our Retail Outlets. In the event that there is any significant change in the product mix, retail price or sale of footwear products, we will adjust the benchmark of our inventory level accordingly. We will reduce our aged inventory by selling them in our chain stores under the brand ''shoe mart'', which is operated using the concept of selling footwear products from different brands mostly of previous seasons at a discounted price to avoid possible excessive level of inventory. We believe that by targeting to achieve and maintain such inventory benchmark level as a key performance indicator, we will incentivise our management of merchandising department and sales department to stringently control and closely monitor the inventory level, so that we will be able to improve the efficiency in our cash flow and resource management while maintaining just the right level of inventory to allow for our continuous growth and expansion. With the adoption of the foregoing target inventory benchmark, based on our current estimate and assuming that there will not be material change in (i) the sales trends of our footwear products; (ii) the credit period for receipt of our trade receivables; and (iii) the credit terms for payment of our trade payables and barring any other unforeseen circumstances. Furthermore, our expansion plan of opening Retail Outlets will use approximately 42.8% of net proceeds from the Global Offering and will be adjusted according to the financial condition and market demand in order that our operating cash flow will be maintained at a sufficient and healthy level.

Cash flows

The following table sets forth a summary of our cash flows for the periods indicated.

	Year ended 31 December		
	2010	2011	2012
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Net cash from / (used in) operating activities	49,763	12,874	(15,857)
Net cash used in investing activities	(40,714)	(523)	(5,719)
Net cash from financing activities	427	1,032	16,941
Increase (decrease) in cash and cash equivalents	9,476	13,383	(4,635)
Cash and cash equivalents at beginning of the year	9,788	19,471	32,448
Effect of foreign exchange rate changes	207	(406)	215
Cash and cash equivalent at end of the year	19,471	32,448	28,028

Cash flow from / used in operating activities

Our cash flow from / used in operating activities primarily comprised our profit before taxation adjusted for non-cash items such as depreciation and provision for inventories, the effect of changes in trade and other receivables and payables, the changes in inventories and rental deposits.

For the FY2012, our Group experienced a net cash used in operating activities of approximately HK$15.9 million. The net cash used in operating activities was a result of (i) operating cash inflow before movement in working capital of approximately HK$38.0 million; (ii) the net working capital outflow of approximately HK$45.9 million; and (iii) profit tax paid in the amount of approximately HK$8.0 million. The net working capital outflow primarily consisted of (i) an increase in inventories of approximately HK$26.7 million; (ii) a decrease in trade and other payables of approximately HK$12.5 million; (iii) an increase in rental deposits of approximately HK$4.2 million; and (iv) an increase in trade and other receivables of approximately HK$2.5 million.

For the FY2011, our Group experienced a net cash from operating activities of approximately HK$12.9 million. The net cash generated from operating activities was a result of (i) operating cash inflow before movement in working capital changes in the amount of approximately HK$51.6 million; (ii) the net working capital of approximately HK$33.3 million; and (iii) profit tax paid in the amount of approximately HK$5.4 million. The outflow primarily consisted of (i) a decrease in trade and other payables of approximately HK$9.9 million; (ii) an increase in inventories of approximately HK$9.2 million; (iii) an increase in rental deposits of approximately HK$7.4 million; and (iv) an increase in trade and other receivable of approximately HK$6.8 million.

For the FY2010, our Group experienced a net cash from operating activities of approximately HK$49.8 million. The net cash generated from operating activities was a result of (i) operating cash inflow before movement in working capital changes in the amount of approximately HK$32.0 million; (ii) the net working capital inflow of approximately HK$19.7 million; and (iii) profit tax paid in the amount of approximately HK$1.9 million. The net working capital inflow primarily consisted of (i) an increase in trade and other payables of approximately HK$30.0 million; and (ii) a decrease in inventories of approximately HK$3.7 million, the effects of which were partially offset by (i) an increase in trade and other receivables of approximately HK$11.4 million; and (ii) an increase in rental deposits of approximately HK$2.6 million.

Cash flow used in investing activities

Our cash used in investing activities mainly comprised the payment of purchase of property, plant and equipment, advances to related companies and immediate holding company, and repayment from related companies.

For the FY2012, our Group experienced net cash used in investing activities of approximately HK$5.7 million. The net cash used was mainly due to the purchase of property, plant and equipment of approximately HK$12.2 million and advance to related party of approximately HK$1.1 million, the effects of which were mainly offset by repayments from related companies of approximately HK$3.9 million and repayments from immediate holding company of approximately HK$3.6 million.

For the FY2011, our Group experienced net cash used in investing activities of HK$0.5 million. The net cash used was mainly due to purchase of property, plant and equipment of approximately HK$14.7 million. The effects of which were partially offset by repayments from immediate holding company and related companies of approximately HK$8.4 million and HK$5.6 million, respectively.

For the FY2010, our Group experienced net cash used in investing activities of HK$40.7 million. The net cash used was mainly due to purchase of property plant and equipment of approximately HK$31.1 million, advances to related companies and immediate holding company of approximately HK$6.3 million and HK$4.0 million, respectively. The effects of which were offset by repayments from immediate holding company of approximately HK$0.5 million and proceeds from the disposal of property, plant and equipment of HK$0.1 million.

Cash flow from financing activities

Our cash flow from financing activities mainly consisted of the proceeds from new bank loans, advance from intermediate holding company, repayment of bank borrowings, repayment to related companies and dividend paid.

For the FY2012, our Group experienced net cash used in financing activities of approximately HK$16.9 million. The net cash inflow from financing activities was primarily consisted of new bank loans raised of approximately HK$74.4 million and advance from immediate holding company of approximately HK$4.6 million. These amounts were

partially offset by (i) repayments of bank borrowings of approximately HK$48.9 million; (ii) repayments to related companies of HK$8.8 million; (iii) dividends paid of approximately HK$2.5 million; and (iv) interest paid of approximately HK$1.7 million.

For the FY2011, our Group experienced net cash from financing activities of approximately HK$1.0 million. Our net cash inflow from financing activities primarily consisted of new bank loans raised of approximately HK$43.2 million. The amount was partially offset by (i) repayments of bank borrowings of approximately HK$30.4 million; (ii) dividend paid of approximately HK$5.6 million; (iii) repayments to related companies of approximately HK$4.4 million; and (iv) interest paid of approximately HK$1.7 million.

For the FY2010, our Group experienced net cash from financing activities of approximately HK$0.4 million. Our net cash inflow from financing activities primarily consisted of (i) new bank loans raised of approximately HK$37.2 million; (ii) advance from shareholders of approximately HK$5.0 million; and (iii) advance from related companies of approximately HK$2.8 million. These amounts were partially offset by (i) repayments of bank borrowings of approximately HK$41.1 million; (ii) repayments to immediate holding company of approximately HK$1.8 million; and (iii) interest paid of approximately HK$1.5 million.

Net current assets

The following tables sets forth our current assets, current liabilities, and net current assets as at the dates indicated.

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)* (unaudited)
Current assets				
Inventories	90,537	94,517	125,852	142,881
Trade and other receivables	54,572	58,684	67,013	92,119
Amount due from immediate holding company	12,017	3,620	—	—
Amounts due from related companies	9,513	3,945	—	8
Amount due from a related party	—	527	1,630	1,639
Taxation recoverable	30	—	—	—
Bank balances and cash	19,471	32,448	28,028	16,832
	186,140	193,741	222,523	253,479
Current liabilities				
Trade and other payables	57,596	49,901	34,924	46,245
Amount due to immediate holding company	—	—	4,580	4,580
Amounts due to related companies	13,222	8,837	—	61
Amounts due to related parties	11,000	11,000	11,000	3,000
Taxation payable	3,169	4,147	1,392	1,945
Bank borrowings — due within one year	36,845	51,612	77,697	78,204
Obligations under finance leases — due within one year	133	—	—	—
	121,965	125,497	129,593	134,035
Net current assets	64,175	68,244	92,930	119,444

The increase in net current assets during FY2010, FY2011 and FY2012 primarily reflected in (i) the increase in inventories as a result of the increase in inventory procurement in anticipation of the increase in sales, to support the expansion of our Retail Outlets and to increase our product mix to target various type of customers; (ii) the increase in other receivables as a result of the increase in rental deposits for entered into new leases when open new Retail Outlets; and (iii) the decrease in trade payables as a result of our Group's usual intention to make payment faster to maintain strong business

relationship with suppliers and negotiate better pricing for footwear products with respective suppliers for future years. These amounts were partially offset by the increase in bank borrowings for our Group's working capital during the Track Record Period.

As at 30 April 2013, our bank balances and cash amounted to approximately HK$16.8 million. The decrease in bank balances and cash as compared to 31 December 2012 (HK$28.0 million) was mainly due to the repayment of amounts due to related parties of HK$8.0 million and repayment of dividend payable to CN Fashion of HK$2.1 million.

As at 31 December 2012, our amount due from a related party of approximately HK$1.6 million represents an advance to Mr. Dominic Chu, a director of the Company and a shareholder of KTS International. This amount will be fully settled by Mr. Dominic Chu before the Listing. Please refer to Note 25 of the Accountants' Report in Appendix I to this prospectus for further details of amount due from a related party.

WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to us, including the estimated net proceeds of the Global Offering, the available credit facilities and our internally generated funds, our Directors believe that our Group will have sufficient working capital to satisfy our requirements for at least the next 12 months following the date of this prospectus.

INVENTORIES

Our inventories primarily consisted of footwear products purchased from our suppliers. We had to maintain a relatively high level of inventories for sales and display and to avoid stock shortage at our Retail Outlets and for opening of new Retail Outlets. Our management carried out an inventory review and an ageing analysis on a regular basis. We made provision for obsolete and slow-moving inventories of finished goods that were no longer suitable for sale. A number of factors including historical and forecast consumption of our SKUs, marketability of our SKUs, were taken into account when we considered whether to make appropriate provision. We normally made provision for inventories of our footwear products, which were identified to be slower or no sale with deteriorated marketability. The following table sets forth our inventory balances as at the dates indicated:

	As at 31 December		
	2010	**2011**	**2012**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Finished goods	90,537	94,517	125,852

The value of our inventory as at 31 December 2010, 2011 and 2012 were approximately HK$90.5 million, HK$94.5 million and HK$125.9 million respectively. The increase of approximately HK$4.0 million or 4.4% in finished goods inventory from 2010 to 2011 was primarily due to (i) an increase in the number of Retail Outlets operated by us

from 82 as at 31 December 2010 to 89 as at 31 December 2011, primarily due to our Group's expansion plan; and (ii) maintain a stable inventory level after a significant increase in sales in FY2011. The increase of approximately HK$31.3 million or 33.2% in finished goods inventory from 2011 to 2012 was primarily due to maintaining a sufficient level of inventory for our newly opened Retail Outlets from 89 as at 31 December 2011 to 102 as at 31 December 2012, as well as to increase our footwear product mix level to target various type of customers and to cope with our estimated sales demand for next year. As at 31 May 2013, approximately HK$85.7 million or 68.1% of the finished goods as at 31 December 2012 were subsequently sold. Our Company considers that such level of inventory is reasonable, taking into account that for the net increase of around 13 new Retail Outlets were opened during the year ended 31 December 2012, there is usually a development period for the sales of the newly opened Retail Outlets to pick up.

At the end of each season, our management reviews the sales of each of the SKUs, then compare to the overall footwear market trend to monitor the adequacy of our provision for obsolete and slow-moving inventories of our footwear products on a case-by-case basis. For the three years ended 31 December 2012, the allowance for obsolete inventories amounted to approximately HK$1.8 million, HK$7.0 million and HK$2.4 million, respectively. During the year ended 31 December 2012, part of the obsolete and slow-moving footwear products of approximately HK$7.0 million determined by our management in 2011 were sold to independent customers via our sale channels at or above original cost plus direct selling expenses and resulted in a reversal of allowance of approximately HK$4.6 million in 2012. Our Directors and the Sole Sponsor are of the view that based on the abovementioned, the bases of the allowance made for inventories as at the end of the Track Record Period were reasonable and adequate.

The following table sets forth our average inventory turnover days for the periods indicated:

	For the year ended 31 December		
	2010	**2011**	**2012**
Average inventory turnover days[(1)]	229.4	192.0	225.5
Average inventory turnover days at Retail Outlets[(2)]	187.0	180.8	188.5

Notes:

1. Average inventory turnover days equal to the average inventory divided by cost of goods sold and multiplied by 365 days. Average inventory equals inventory at the beginning of the year plus inventory at the end of the year divided by two.

2. Average inventory turnover days at Retail Outlets equal to the average inventory at Retail Outlets divided by the relevant cost of goods sold multiplied by 365 days. Average inventory at Retail Outlets equal to average inventory at Retail Outlets at the beginning of the year plus inventory at the Retail Outlets at the end of the year divided by two.

Our average inventory turnover days decreased from approximately 229.4 days in FY2010 to approximately 192.0 days in FY2011 primarily reflected by greater sales due to the economic recovery in 2011. Our average inventory turnover days increased from approximately 192.0 days in FY2011 to approximately 225.5 days in FY2012 primarily due to (i) approximately 33.2% increase in inventory to maintain a sufficient level of inventory for our newly opened Retail Outlets; (ii) the reversal of allowance for inventories of HK$4.6 million in cost of goods sold from the sales of the obsolete and slow-moving footwear products determined by our management in 2011; and (iii) increase our footwear product mix level to target various type of customers and to cope with our planned Retail Outlets expansion in 2013.

Our average inventory turnover days at Retail Outlets remained stable from approximately 187.0 days in FY2010 to approximately 180.8 days in FY2011, then to approximately 188.5 days in FY2012. The trend is in line with the trend of average inventory turnover days. Our average inventory turnover days at Retail Outlets were shorter than that of our Group, primarily due to (i) constantly move inventory from warehouse to Retail Outlets to replenish footwear that have been sold at Retail Outlets; (ii) transfer of goods between Retail Outlets to enhance our flexibility of inventory management in our Retail Outlets; and (iii) the calculation of our average inventory turnover days at Retail Outlets has not accounted for inventory and cost of goods sold in respect of wholesale.

The table below sets forth our inventory at Retail Outlets by brands as at 31 December 2012 and subsequent sale of inventories until 31 May 2013:

	Inventory at Retail Outlets as at 31 December 2012		**Subsequent sale until 31 May 2013**		
	SKUs	*(HK$'000)*	*SKUs*	*(HK$'000)*	*%*
Clarks	154,501	61,934	123,974	44,365	71.6
Josef Seibel	47,657	10,601	41,779	10,421	98.3
The Flexx	7,899	1,942	5,715	1,256	64.7
Yokono and Yokono K	3,024	670	745	153	22.9
Others	41,983	5,826	29,989	3,617	62.1
Total	255,064	80,973	202,202	59,812	73.9

Our Directors believe that our footwear products by nature are not fast-moving and have a relatively long product life cycle. Our inventory turnover days are in line with the industry norm. Our Group intends to maintain an inventory benchmark level of approximately 1,000 to 3,000 SKUs per Retail Outlet (based on the size of the Retail Outlet) by 31 December 2013 and thus to improve our cash flow and liquidity position. Based on the latest average monthly sales figures per Retail Outlet of approximately 500 SKUs and average inventory balance per Retail Outlet of approximately 1,000 to 3,000 SKUs for the year ended 31 December 2012, if we could maintain our target level of sales in the coming financial year, we believe that the current level of inventory of footwear products for sales through our Retail Outlets would be fully turned-around before the end of 2013. Moreover, transfer of goods between Retail Outlets is performed on a weekly

basis from Retail Outlets with longer turnover periods to those with shorter turnover periods to enhance sales. If our inventory level rises significantly above the optimal level or this is anticipated to happen, we will reduce our aged inventories by selling them in our chain stores under the trade name ''shoe mart'', which is operated using the concept of selling footwear products from different brands mostly of previous seasons at a discounted price to avoid possible excessive level of inventory. By closely monitoring the level of future sales, our Group is confident to achieve the benchmark level of approximately 1,000 to 3,000 SKUs per Retail Outlet by 31 December 2013. Based on the above, the Directors and the Sole Sponsor are of the view that the inventory management policies are effective. For further details of the inventory control, please refer to the section headed ''Our Business — Inventory Control and Logistics'' in this prospectus.

We try to maintain an optimal level of inventory by comparing the level of inventory with the sales revenue within a particular period, subject to the prevailing market conditions, and as reserve inventory to support the new Retail Outlets to be opened within the following four to six months. The inventory of our footwear products has to be stocked for the following purposes: (i) as rolling inventory for turnover and replenishing footwear that have been sold; (ii) to support the expansion of our Retail Outlets; (iii) to cater for the seasonality of our business, which results in a relatively high balance of inventory at year end as we generally have a relatively high level of inventory at the end of each year comprising fall and winter footwear in anticipation of the sales peak during the Chinese New Year holidays and our fall and winter footwear generally have higher unit cost than those of our spring and summer footwear; and (iv) our diverse offering of footwear products, which requires us to maintain a relatively high inventory level to accommodate a broad range of product offerings.

The following table sets forth the summary of the aging analysis of our inventories as at the dates indicated:

	As at 31 December		
	2010	**2011**	**2012**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Within 1 year	66,774	83,844	113,653
1 to 2 years	14,634	10,673	12,199
2 to 3 years	6,914	—	—
Over 3 years	2,215	—	—
Total	90,537	94,517	125,852

Taking into account (i) our increase in revenue over the Track Record Period, (ii) the aging of over 90% of our inventories was within 1 year in the year ended 31 December 2012; and (iii) our minimal provision for inventories made, our Directors are of the view that our increase inventories during the Track Record Period was driven by genuine demand for sustaining our business growth rather than merely for the satisfaction of minimum purchase requirement.

During the five years ended 31 December 2010, our Group sold to United Overseas Sundry Goods accumulated inventories amounted to approximately HK$218.8 million and recorded an average gross profit margin ranged from approximately 8% to 16% over the five years ended 31 December 2010. During the year ended 31 December 2010, our Group made purchase of remaining inventories of approximately HK$23.5 million from United Overseas Sundry Goods at a discount of approximately 10.0% of the selling price to United Overseas Sundry Goods, in which all of those inventories were sold by our Group from financial years ended 31 December 2006 to 2010. Included in the amount of approximately HK$23.5 million was sales return amounted to approximately HK$13.5 million which represented the goods supplied by our group during the year ended 31 December 2010, and such sales return was settled by cash. As a result, the remaining repurchase of approximately HK$10.0 million was disclosed as related party transaction for the year ended 31 December 2010 and has been fully settled as at the Latest Practicable Date. As at 31 December 2012, all of the inventories purchased from United Overseas Sundry Goods during the year ended 2010 were completely sold.

TRADE AND OTHER RECEIVABLES

Trade and bills receivables

Our trade and bills receivables primarily consisted of receivables from department stores and wholesalers. Generally, we receive payments from department stores with the credit period range from 30 to 60 days. For wholesalers, we allowed a credit period range from 30 to 60 days. The following table sets forth our trade and bills receivables as at the indicated dates:

	As at 31 December		
	2010	**2011**	**2012**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Trade receivables	29,278	35,861	36,293
Bills receivables	10,340	14,185	13,267
Less: Allowance for doubtful debts	(97)	(113)	(119)
Total	39,521	49,933	49,441

Our trade and bills receivables as at 31 December 2010, 2011 and 2012 were approximately HK$39.5 million, HK$49.9 million and HK$49.4 million, respectively. The approximately HK$10.4 million or 26.3% increase in our trade receivables from 2010 to 2011 was mainly due to higher sales volume during Christmas holiday season at the year end. Our trade and bills receivables remained stable in FY2012 despite the approximately 7.0% increase in revenue from FY2011 to FY2012, reflected that our Group has made more cash sales in our self-rented shops relatively compared to our credit sales at concessions within department stores.

The following table sets forth our average trade and bills receivables turnover days for the periods indicated:

	For the year ended 31 December		
	2010	**2011**	**2012**
Average trade and bills receivables turnover days*(Note)*	29.3	34.6	35.9

Note:

Average trade and bills receivables turnover days is equal to the average trade and bills receivables divided by revenue and multiplied by 365 days. Average trade and bills receivables equals trade and bills receivables at the beginning of the year plus trade and bills receivables at the end of the year and divided by two.

Our average trade and bills receivables turnover days increased from approximately 29.3 days in FY2010 to approximately 34.6 days in FY2011 primarily due to increase in trade and bills receivables as a result of higher sales volume during Christmas holiday season at year end from our concessions within department stores. Our average trade and bills receivables turnover days in FY2012 remained stable within our credit period, which explained that our Group had maintained a strong business relationships with department stores and wholesales customers with stable cash collection period.

The table below sets forth the aging analysis of our trade and bills receivables, based on the invoice date and net of provision for impairment as at 31 December 2010, 2011 and 2012.

	As at 31 December		
	2010	**2011**	**2012**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Within 30 days	21,396	28,955	40,599
31 to 60 days	12,355	13,526	2,945
61 to 90 days	3,674	3,687	3,893
Over 90 days	2,096	3,765	2,004
Total	39,521	49,933	49,441

The management of our Group periodically monitored and reviewed the credit conditions of our department stores and wholesalers. The trade and bills receivables that were past due but not impaired related to department stores and wholesalers, which were independent customers that had a good track records with us. Our management considers that we do not have significant credit risks in view of the good credit history of those department stores and wholesalers. Based on the historical experience of our Group, trade receivables that were past due but not impaired were generally recoverable. As at 31 December 2010, 2011 and 2012, our trade and bills receivables that were past due as at the end of the reporting periods for which our Group had not provided for

impairment loss amounted to approximately HK$5.8 million, HK$7.5 million and HK$5.9 million, respectively. These related to a wide range of customers for whom there were no history of default. We did not hold any collateral or other credit enhancements over the balance. As at 31 May 2013, 98.6% of the trade receivables balance as at 31 December 2012 had been settled.

Other receivables

Our other receivables primarily consisted of rental deposits and rental prepayments we made to landlords, the operators of the department stores and shopping malls. The rental deposits and rental prepayments were charged by landlord, the operators of the department stores and shopping malls when we entered into rental agreements with them.

The following table sets forth our other receivables balances as at the dates indicated:

	As at 31 December		
	2010	**2011**	**2012**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Deposits	9,653	6,772	12,823
Prepayments	4,287	1,787	2,691
Others	1,111	192	2,058
Total	15,051	8,751	17,572

The amounts of our other receivables were HK$15.0 million, HK$8.8 million and HK$17.6 million as 31 December 2010, 2011 and 2012, respectively. The decrease of approximately HK$6.2 million or 41.3% in our other receivables from 2010 to 2011 was attributable to the decrease in deposits of approximately HK$2.9 million reflected by (i) some of the rental deposits that were repaid by landlords, the operators of the department stores and shopping malls due to closure of a number of Retail Outlets in 2011 as part of our business adjustment; and (ii) some of the rental deposits related to existing leases including new leases added in 2010 that had reached over one year in the lease term, which the rental deposits had become non-current rental deposits and resulted in an increase of approximately 125.0% in non-current rental deposits in 2011. The decrease in 2011 was also reflected by the decrease in prepayments of approximately HK$2.5 million as a result of less prepaid rent required from the 19 newly added leases in 2011. The increase of approximately HK$8.8 million or 100.8% in our other receivables from 31 December 2011 to 31 December 2012 was due to the increase in deposits and prepayment of approximately HK$7.0 million due to an increase in rental deposits and prepaid rent made to landlords, the operators of the department stores and shopping malls for entered into new leases, as result of 16 new Retail Outlets in 2012 according to our Group's expansion plan.

TRADE AND OTHER PAYABLES

Trade payables

Our trade payables primarily consisted of payables to third-party suppliers. The following table sets forth our trade payables as at the indicated dates:

	As at 31 December		
	2010	**2011**	**2012**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Trade payables	23,866	9,517	6,892

Our trade payables primarily consisted of payables to third-party suppliers. Our trade payables as at 31 December 2010, 2011 and 2012 were approximately HK$23.9 million, HK$9.5 million and HK$6.9 million, respectively. The approximately 60.3% decrease from 2010 to 2011 was primarily reflected by the remaining trade payables due to United Overseas Sundry Goods, a related company of our Group as well as a customer of our Group, which amounted to approximately HK$20.2 million as at 31 December 2010 and were fully settled in 2011. Such amount was resulted from the total purchase of footwear products from United Overseas Sundry Goods which amounted to approximately HK$23.5 million during the year ended 31 December 2010. Our trade payable amounted to approximately HK$9.5 million as at 31 December 2011 has included purchases of inventories to maintain a stable inventory level after a significant increase in sales in FY2011. The decrease in our trade payables from 2011 to 2012 was primarily reflected by relatively more cash used to settle the purchases of inventories as compared with previous year, as a result of our Group's usual intention to maintain strong business relationship with suppliers and to negotiate better pricing for footwear products with respective suppliers going forward.

The following table sets forth our average payables turnover days for the periods indicated:

	For the year ended 31 December		
	2010	**2011**	**2012**
Average trade payables turnover days*(Note)*	37.1	34.6	16.8

Note:

Average trade payables turnover days is equal to the average trade payables divided by cost of goods sold and multiplied by 365 days. Average trade payables equals trade payables at the beginning of the year plus trade payables at the end of the year and divided by two.

Our Group experienced high average trade payables turnover days of approximately 37.1 days in FY2010 and approximately 34.6 days in FY2011. The high trade payable turnover days was mainly resulted from high level of trade payables as at 31 December

2010. The computation of average trade payables turnover days for FY2010 and FY2011 was affected by the remaining balance of trade payables due to United Overseas Sundry Goods amounted to approximately HK$20.2 million as at 31 December 2010 was resulted from the total purchase of footwear products from United Overseas Sundry Goods which amounted to HK$23.5 million during the year ended 31 December 2010, which these average trade payables turnover days were higher than our average trade credit period granted to us by our suppliers. Our average trade payables turnover days decreased from approximately 34.6 days in FY2011 to approximately 16.8 days in FY2012, the decrease was mainly attributable to (i) the computation of average trade payables turnover days for FY2011 which was affected by the remaining balance of trade payables to United Overseas Sundry Goods in the beginning of 2011 due to the above reasons; and (ii) relatively more cash was used to settle the purchases of inventories compared to previous year, as our Group intends to maintain strong business relationship with suppliers and to negotiate better pricing for footwear products with respective suppliers going forward. There was no material changes in the credit period granted to us by our suppliers, and our average trade payables turnover days in 2012 are lower and within the average credit period as the remaining balance of trade payables due to United Overseas Sundry Goods were fully settled in 2011.

The table below sets forth the aging analysis of the trade payables as at 31 December 2010, 2011 and 2012 based on invoice dates:

	As at 31 December		
	2010	**2011**	**2012**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Within 30 days	1,269	7,271	4,758
31 to 60 days	651	1,679	1,184
61 to 90 days	21,007	353	912
Over 90 days	939	214	38
Total	23,866	9,517	6,892

The trade payables were normally settled on an average credit period of 30 days.

The management of our Group reviewed trade payables aging report on a monthly basis during the Track Record Period. Before making payments to settle the trade payables, our Group's management took into account various factors including but not limited to (i) the suppliers' credit terms; (ii) the expected cash outflow to suppliers for settlement of purchase made by our Group after the relevant credit period offered; (iii) the remaining amount of banking facilities available to our Group; (iv) the expected cash inflow from customers for settlement of purchase from our Group after the relevant credit period granted to them; and (v) the prevailing market conditions which may affect the length of payable turnover.

Other payables

Our payables primarily consisted of accrued expenses and dividend payables.

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

	As at 31 December		
	2010	**2011**	**2012**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Accrued expenses	26,359	32,340	19,931
Dividend payable	2,404	4,572	2,072
Others	4,967	3,472	6,029
Total	33,730	40,384	28,032

The amounts of our other payables were approximately HK$33.7 million, HK$40.4 million and HK$28.0 million as at 31 December 2010, 2011 and 2012, respectively. The increase from 2010 to 2011 was primarily due to (i) the increase in bonus provision of approximately HK$8.1 million; and (ii) increase in dividend payable as our Group declared a dividend of approximately HK$7.7 million in 2011. The decrease from 2011 to 2012 was primarily due to (i) decrease in bonus provision of approximately HK$9.5 million; and (ii) decrease in dividend payable as our Group did not declare any dividend in 2012.

As at 31 December 2012, our dividend payable was approximately HK$2.1 million. The amount will be settled before the Listing.

As at 30 April 2013, being the indebtedness date which is no more than eight weeks prior to the date of this prospectus, trade payables of approximately HK$6.9 million, which were part of the ending balance as at 31 December 2012, were settled.

INDEBTEDNESS

Set out below are our bank borrowing, finance leases, amount due to immediate holding company, amount due to a related companies, amount due to related parties as at the date shown:

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Bank borrowings:				
Bank loans	35,575	22,731	20,140	22,833
Loans related to bills discounted with recourse	10,340	14,185	13,267	13,628
Trust receipt loans	8,898	30,696	59,650	56,463
	54,813	67,612	93,057	92,924
Amounts payable under finance leases:				
Within one year	139	—	—	—
More than one year but not more than two years	21	—	—	—
Less: future finance charges	(7)	—	—	—
Present value of lease obligations	153	—	—	—
Amount due to immediate holding company	—	—	4,580	4,580
Amounts due to related companies	13,222	8,837	—	—
Amounts due to related parties	11,000	11,000	11,000	3,000
	79,188	87,449	108,637	100,504

Bank borrowings

As at 31 December 2012, our bank borrowings included trust receipt loans, loans related to bills discounted with recourse and bank loans. The effective interest rates per annum for our trust receipt loans, loans related to bills discounted with recourse and bank loans ranged from 1.6% to 3.5% in FY2010, 1.6% to 3.2% in FY2011, and 1.6% to 3.2% in FY2012. The amount of bank loans were approximately HK$54.8 million, HK$67.6 million, and HK$93.1 million, representing approximately 22.3%, 26.9% and 37.9% of our total bank facilities obtained as at 31 December 2010, 2011 and 2012, respectively. Such increase was primarily due to increase in trust receipt loans of approximately HK$21.8 million and HK$29.0 million in FY2011 and FY2012, respectively.

As at 30 April 2013, the amount of bank loans were approximately HK$92.9 million, representing approximately 36.8% of our total bank facilities, and the amount of unutilised bank facilities were approximately HK$159.6 million, representing approximately 63.2% of our total bank facilities.

Our Group's use of trust receipt loans during the Track Record Period was to strengthen our working capital, mainly for our Group to purchase inventories without making immediate cash payments to suppliers that would tie up our cash to the inventories, thus our Group is able to deploy our cash for other activities, such as (i) expansion of opening new Retail Outlets; (ii) purchase of different types of footwear products to increase our product mix; and (iii) maintain sufficient level of inventories for our Retail Outlets. Our trust receipt loans were interest bearing with financing period ranging from 90days to 150days. The weighted average interest rates were approximately 2.84%, 2.82% and 2.88% as at 31 December 2010, 2011 and 2012, respectively. For some of the trust receipt loans, the bank may, at any time, immediately modify, terminate, cancel or suspend the entire arrangement or any part of it; and the bank has the overriding right, at any time, to require immediate payment of all principal, interests, fees and other amounts outstanding under the arrangement. Our Group was not aware of any existing loan facilities that are not renewable as at the Latest Practicable Date.

The amounts of bank borrowings are repayable as follows:

	As at 31 December		
	2010	**2011**	**2012**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Carrying amount repayable			
Within one year	25,962	48,112	76,197
More than one year, but not more than two years	1,284	1,231	1,280
More than two years, but not more than five years	3,850	3,692	3,840
More than five years	12,834	11,077	10,240
	43,930	64,112	91,557
Bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayable on demand clause as shown under current liabilities	10,883	3,500	1,500
	54,813	67,612	93,057

The range of effective interest rates (which are also equal to contracted interest rates) on our Group's borrowings as at 31 December 2010, 2011 and 2012, respectively, is as follows:

	As at 31 December		
	2010	2011	2012
Effective interest rates:			
Variable-rate borrowings	1.6%–3.5%	1.6%–3.2%	1.6%–3.2%

At the close of business on 30 April 2013, being the latest practicable date for the purpose of this indebtedness statement, we had outstanding (i) amount due to immediate holding company of approximately HK$4.6 million; (ii) amounts due to related parties of approximately HK$3.0 million; and (iii) bank borrowings of approximately HK$92.9 million including loans related to bills discounted with recourse and trust receipt loans (of which HK$31.1 million was unsecured and HK$61.8 million was secured by fixed charges over certain of our Group's assets, including leasehold land and buildings and refundable deposits).

As at 30 April 2013, the total bank borrowings of approximately HK$39.1 million was guaranteed by Mr. Chu and Mr. H. S. Chong, directors of our Group, and such personal guarantees will be released upon Listing.

As at 30 April 2013, the total bank borrowings of approximately HK$17.7 million was guaranteed by Mr. Chu and such personal guarantees will be released upon Listing.

Other than the bank borrowings guaranteed by Mr. Chu and Mr. H. S. Chong, the remaining indebtedness are unguaranteed.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, we did not have outstanding at the close of business on 30 April 2013 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

As at 30 April 2013, being the indebtedness date, the total amount of facilities available to us amounted to approximately HK$159.6 million. On the same date, our indebtedness amounted to approximately HK$100.5 million and mainly represented bank borrowings of approximately HK$92.9 million, representing approximately 36.8% of our total bank facilities obtained. The interest rates of such bank borrowings ranged from 1.6% to 3.2%.

For details of the guarantees provided by related parties, please refer to Note 33 to the Accountants' Report in Appendix I to this prospectus. As confirmed by our Directors, there were no material defaults in payment of bank borrowings during the Track Record Period and up to the Latest Practicable Date. All guarantees provided by related parties will be fully released upon Listing.

Amounts due to related parties

As at 31 December 2012, our amounts due to related parties represent loans from Mr. Chu and Ms Wong May Heung, a close family member of Mr. Chu was approximately HK$11.0 million. The amounts are to finance working capital of our Group which are interest bearing at prime lending rate and repayable on demand. Our Group borrowed from related parties at prime lending rate which is widely used in Hong Kong. A commercial bank facility was not considered as such loan usually requires pledged assets and personal guarantees to secure the borrowings. Due to our Group's asset-light business model, our Group therefore borrowed from related parties as a result. Approximately HK$8.0 million was repaid by cash up to 30 April 2013 and the remaining balance will be settled by part of the net proceeds from the Global Offering. Please refer to Note 25 of the Accountants' Report in Appendix I to this prospectus for further details of amounts due to related parties.

Amount due to immediate holding company

As at 31 December 2012, our amount due to immediate holding company, KTS International, was approximately HK$4.6 million. This amount will be fully settled by part of the net proceeds from the Global Offering. Please refer to Note 20 to the Accountants' Report in Appendix I to this prospectus for further details of amount due to immediate holding company.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, we are not aware of any pending or potential material legal proceedings involving our Group, or to our directors knowledge, threatened against us which could have a material adverse effect on our business or operations. The Directors confirm that as at the Latest Practicable Date, other than disclosed in the paragraph headed ''Indebtedness'' in this section, we did not have any material contingent liabilities.

DIRECTORS' EMOLUMENTS

Our Directors' emoluments for the years ended 31 December 2010, 2011 and 2012 were approximately HK$8.6 million, HK$16.5 million and HK$7.2 million, respectively. Our Directors' emoluments increased by approximately HK$7.9 million or 91.9% from approximately HK$8.6 million for FY2010 to approximately HK$16.5 million for FY2011, primarily due to (i) the increase in performance related incentive payments of approximately HK$4.6 million was determined by our management based on the increase in net profit in FY2011; (ii) the increase in salaries and allowances of approximately HK$1.9 million primarily reflected by the increase in salaries of Mr. Chu Chun Ho, Dominic due to his significant involvement in our Group's strategic decision-making in 2011; and (iii) the increase in fees for directors of approximately HK$1.4 million determined by our management based on our Group's operating results in FY2011. Our Directors' emoluments decreased by approximately HK$9.3 million or 56.4% from approximately HK$16.5 million for FY2011 to approximately HK$7.2 million for FY2012,

as a result of our management decided not to pay any performance related incentive payment and fee to our Directors in FY2012 due to the decrease in net profit in FY2012 and to reserve more internal resources for our Group's expansion plan.

During the Track Record Period, there were no salary, allowance and performance related incentive payment paid by our Group to the three non-executive Directors as they did not involve in our Group's daily operation. However, fees were paid to the three non-executive Directors in the FY2010 and FY2011 as a result of our management's decision based on our Group's operating results in FY2010 and FY2011.

In addition, there was no service contract entered between our Directors and our Company during the Track Record Period, the Directors' emoluments were determined by our management based on the performance of our Directors and our Group's operating results.

During the Track Record Period, there was no Directors' emolument (including fees, salaries and performance related incentive payments) paid by any related party of our Group and our Directors are not entitled to any performance related incentive payments which will be paid after the Global Offering.

DISCLAIMER

Save as aforesaid or as otherwise disclosed herein and apart from normal trade payables and accrued charges, as at 31 December 2012, we did not have any outstanding mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities, or other similar indebtedness, finance leases or hire purchase commitments, liabilities, under acceptances or acceptance credits or guarantees or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

As at 31 December 2012, being the date of our most recent financial statements, we have not entered any off-balance sheet arrangements.

OTHER KEY FINANCIAL RATIOS

	As at/For the year ended 31 December		
	2010	2011	2012
Current ratio[(1)]	1.5 times	1.5 times	1.7 times
Quick ratio[(2)]	0.8 times	0.8 times	0.7 times
Gearing ratio[(3)]	54.4%	54.5%	62.2%
Debt to equity ratio[(4)]	35.2%	28.3%	43.4%
Interest coverage[(5)]	15.7 times	23.6 times	18.2 times
Return on total assets[(6)]	7.5%	11.9%	8.6%
Return on equity[(7)]	17.9%	25.4%	16.8%
Net profit margin[(8)]	4.9%	6.7%	5.0%

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the relevant year end.

2. Quick ratio is calculated based on the total current assets less inventories divided by the total current liabilities as at the relevant year end.

3. Gearing ratio is calculated based on the total debt divided by the total equity as at the relevant year end and multiplied by 100%.

4. Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the relevant year end and multiplied by 100%.

5. Interest coverage is calculated by the profit before interest and tax divided by interest as at the relevant year end.

6. Return on total assets is calculated by net profit for the year divided by the total assets as at the relevant year end and multiplied by 100%.

7. Return on equity is calculated by net profit for the year divided by the shareholders' equity as at the relevant year end and multiplied by 100%.

8. Net profit margin is calculated by net profit after taxes divided by the revenue for the relevant year and multiplied by 100%.

Current ratio

Our current ratio remained stable during the Track Record Period at approximately 1.5, 1.5 and 1.7 as at FY2010, FY2011 and FY2012, respectively. The slight increase in current ratio as at FY2012 primarily reflected by the increase in inventories and other receivables.

Quick ratio

Our quick ratio remained stable during the Track Record Period at approximately 0.8, 0.8 and 0.7 as at FY2010, FY2011 and FY2012, respectively. The slight decrease in quick ratio as at FY2012 primarily reflected by the slight increase in current liabilities due to the increase in bank borrowing.

Gearing ratio

Our gearing ratio was approximately 54.4%, 54.5% and 62.2% as at FY2010, FY2011 and FY2012, respectively. The increased from approximately 54.5% as at FY2011 to approximately 62.2% as at FY2012 primarily due to the increase in trust receipt loans for our Group's working capital, representing an approximately 37.6% increase in bank borrowings.

Debt to equity ratio

As at FY2010, FY2011 and FY2012, our debt to equity ratio was approximately 35.2%, 28.3% and 43.4%, respectively. Our debt to equity decreased from approximately 35.2% as at FY2010 to approximately 28.3% as at FY2011 primarily reflected by an approximately 66.6% increase in bank balances and cash in FY2011. Our debt to equity increase from approximately 28.3% as at 2011 to approximately 43.4% as at 2012 primarily due to the increase in trust receipt loans for our Group's daily operation, representing an approximately 37.6% increase in bank borrowings.

Interest coverage

Interest coverage was approximately 15.7 times, 23.6 times and 18.2 times for the FY2010, FY2011 and FY2012, respectively. Our interest coverage increased from approximately 15.7 times for the FY2010 to approximately 23.6 times for the FY2011 primarily attributable to an approximately 65.4% increase in profit before interest and tax as a result of increase in sales in FY2011. Our interest coverage decreased from approximately 23.6 times for the FY2011 to approximately 18.2 times for the FY2012 primarily due to a decrease in profit before interest and tax affected by (i) the increase in selling and distribution costs; and (ii) the listing expenses.

Return on total assets

For the FY2010, FY2011 and FY2012, our return on total assets was approximately 7.5%, 11.9% and 8.6%, respectively. Our return on assets increased from approximately 7.5% for the FY2010 to approximately 11.9% for the FY2011 primarily due to an approximately 74.2% increase in profit for the year. Our return on assets decreased from approximately 11.9% for the FY2011 to approximately 8.6% for the FY2012 primarily reflected by (i) the decrease in profit for the year; and (ii) the increase in total assets resulted from increase in inventory and other receivables.

Return on equity

For the FY2010, FY2011 and FY2012, our return on equity was approximately 17.9%, 25.4% and 16.8%, respectively. Our return on equity increased from approximately 17.9% for the FY2010 to approximately 25.4% for the FY2011 primarily due to an approximately 74.2% increase in profit for the year. The major growth drivers for the increase in our return on equity were (i) the increase of approximately 36.7% in net profit margin attributable to greater increase in gross profit than the increase from selling and distribution costs and administrative expenses combined; and (ii) the increase of approximately 17.1% in asset turnover ratio (sales/total assets) reflected by approximately 21.4% increase in sales, the effects of which were partially set off by the decrease of approximately 10.5% in financial leverage ratio (total assets/total equity) due to greater increase in total equity from approximately 24.4% increase in reserve than the overall increase in total assets. Our return on equity decreased from approximately 25.4% for the FY2011 to approximately 16.8% for the FY2012 primarily reflected by (i) the decrease of approximately 20.4% in profit for the year; and (ii) the increase of approximately 20.6% in total equity resulted from increase in reserves. The decrease in our return on equity also affected by (i) the decrease in net profit margin of approximately 25.4% due to the slower growth in sales coupled with larger selling and distribution costs; (ii) the decrease of approximately 7.9% in financial leverage ratio due to the increase of approximately 26.7% in reserve; and (iii) the decrease of approximately 3.4% in asset turnover ratio reflected by the faster growth in total assets than the growth in sales.

Net profit margin

Our net profit margin was approximately 4.9%, 6.7% and 5.0% for the FY2010, FY2011 and FY2012, respectively. Our net profit margin decreased from approximately 6.7% for the FY2011 to approximately 5.0% for the FY2012 primarily due to (i) the increase in selling and distribution costs; and (ii) the listing expenses.

COMMITMENTS

Operating lease commitments

We lease premises for certain of our Retail Outlets and offices under non-cancellable operating lease arrangements, and the term of these leases ranges from one to five years. As at 31 December 2010, 2011 and 2012, we had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2010	**2011**	**2012**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Within one year	49,721	98,241	109,405
In the second to fifth year, inclusive	47,724	92,397	65,613
	97,445	190,638	175,018

Capital expenditures

The following table sets forth a summary of our capital expenditures during the Track Record Period:

	For the year ended 31 December		
	2010	**2011**	**2012**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Addition of property, plant and equipment			
— Leasehold land and buildings	21,477	—	—
— Leasehold improvements	6,658	11,468	10,436
— Furniture, fixtures and equipment	1,519	1,869	1,760
— Motor vehicles	1,403	1,408	—
Total	31,057	14,745	12,196

Our capital expenditures during the Track Record Period primarily related to expenditures on purchase of property, plant and equipment which were funded out of the bank loans, finance leases, and cash flows from our operations. Our total capital expenditures amounted to approximately HK$31.1 million, HK$14.7 million and HK$12.2 million for each of the FY2010, FY2011 and FY2012, respectively.

We plan to finance future capital expenditures mainly through the net proceeds of the Global Offering, bank loans, as well as from cash flows generated from operations. As we expect to continue our expansion over the retail network, we may incur additional capital expenditures.

DIVIDENDS AND DIVIDEND POLICY

Our Board has absolute discretion in whether to declare any dividend for any year and, if it decides to declare a dividend, how much dividend to declare. During the three years ended 31 December 2012, we declared dividends of approximately HK$1.4 million, HK$7.7 million and nil, respectively. On 11 June 2013, we declared a dividend of HK$20.0 million which will be paid partly from our internal resources and partly from the net proceeds (which represents approximately 26.7% of the net proceeds) from the Global Offering. Our Directors have considered several factors such as entitlements of existing Shareholders to our retained profits and reserves and our bank balance and cash, being HK$149.7 million and HK$28.0 million as at 31 December 2012, respectively when declaring the dividend. Our Directors, having considered that the use of part of the net proceeds from the Global Offering to fund the dividend declared would not adversely affect our Group's operating cash flow, are of the view that the dividend declared is fair and reasonable and in the best interest of our Company and the Shareholders as a whole. Past payments and non-payments of dividends are not indicative of our future dividend policy.

We currently intend to pay dividends of approximately 20% to 60% of our profits available for distribution beginning from the year ending 31 December 2013. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. However, the determination to pay dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. Such discretion is subject to any applicable laws and regulations including the Companies Law, and our Articles and Association which requires also the approval of our Shareholders.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in note 33 to our combined financial statements included in the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

For a discussion of related party transactions, please refer to the paragraph headed ''— Indebtedness — Amounts due to related parties'' in this section and Note 33 to the Accountants' Report in Appendix I to this prospectus.

DISTRIBUTABLE RESERVES

As at 31 December 2012, our Company has no distributable reserves available for distribution to its Shareholders.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Currency risk

Our Group's sales are denominated in HK$, MOP and NT$. For NT$, there was no history of significant currency fluctuation noted by our Group. For other currencies, as the transaction amounts are insignificant to our Group, the financial impact of exchange differences between these HK$ and currencies is expected to be immaterial. Our Group's purchases and expenses are either denominated in HK$, RMB, Euros and US dollars. Since the majority of our purchases are denominated in US dollars, under the linked exchange rate system, the financial impact of exchange differences between HK$ and US dollars is expected to be immaterial. We have no significant foreign currency borrowings. Our Group currently does not have a foreign currency hedging policy. Based on the past history on foreign exchange risk exposure of our Group, our Directors believe that our

Group's exposure to foreign currency risk is insignificant. However, the management continuously monitors the foreign exchange risk exposure and will consider to hedge significant currency risk exposure should the need arise.

Interest rate risk

Our Group is exposed to cash flow interest rate risk in relation to bank balances, amounts due to related parties and bank borrowings. Our Group's exposure to cash flow interest rate risk is mainly concentrated on the fluctuation of Prime lending rate, benchmark interest rate of Central Bank of Taiwan and Hong Kong Interbank Offered Rate. We currently do not have a policy on cash flow hedges of interest rate risk. However, our management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Credit risk

Our Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2010, 2011 and 2012 in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the statements of financial position.

We have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each individual trade receivable at the end of each reporting period to ensure that adequateimpairment losses are made for irrecoverable amounts. In this regard, the directors of our Company consider that our Group's credit risk is significantly reduced. We have no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties.

Liquidity risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance our Group's operations and mitigate the effects of fluctuations in cash flows.

Please refer to Note 6 of the Accountants' Report in Appendix I to this prospectus for further details on the above risks.

Listing Expenses

The total amount of listing expenses, commissions together with SFC transaction levy and Stock Exchange trading fee that will be borne by us in connection with the Global Offering is estimated to be approximately HK$19.1 million (based on the mid-point of the indicative Offer Price range), of which approximately HK$11.1 million is expected to be capitalised after the Listing. The remaining amount of approximately HK$8.0 million was or is expected to be charged to our profit and loss accounts, of which approximately HK$3.1 million and HK$1.7 million were charged for the year ended 31 December 2012

and the three months ended 31 March 2013, respectively, and approximately HK$3.2 million is expected to be charged for the three months ended 30 June 2013, assuming the Listing takes place on or before 30 June 2013.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of the Company, which has been prepared for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 December 2012. It is prepared based on our combined net assets of our Group attributable to owners of our Company as at 31 December 2012 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted combined net tangible assets does not form part of the Accountants' Report in Appendix I to this prospectus. The pro forma adjusted combined net tangible assets have been prepared for illustrative purpose only, and because of its nature, it may not give a true picture of the financial positions of our Group had the Global Offering been completed as at 31 December 2012 or any future dates.

	Audited combined net tangible assets attributable to owners of our Company as at 31 December 2012[(1)] *HK$'000*	**Estimated net proceeds from the Global Offering**[(2)] *HK$'000*	**Unaudited pro forma adjusted combined net tangible assets** *HK$'000*	**Unaudited pro forma adjusted combined net tangible assets per Share**[(3)] *HK$*
Based on an Offer Price of HK$1.51 per Share	149,672	59,886	209,558	1.05
Based on an Offer Price of HK$2.13 per Share	149,672	90,111	239,783	1.20

Notes:

1. The audited combined net tangible assets attributable to the owners of our Company as at 31 December 2012 were extracted from the Accountants' Report as set out in Appendix I to this prospectus.

2. The estimated net proceeds of our Company from the Global Offering are based on the indicative Offer Price range of HK$1.51 per Share and HK$2.13 per Share after deduction of the underwriting fees and other relevant expenses payable by our Company (assuming the Over-allotment is not exercised).

3. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments referred to in the above paragraph and on the assumption of a total of 200,000,000 Shares, being the number of Shares in issue upon completion of the Global Offering (including Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Global Offering, which takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option) were in issue.

4. By comparing the valuation of the property interests as set out in Appendix III to this prospectus, the net valuation surplus is approximately HK$56,925,000 as compared to the carrying amounts of our Group's property interests as at 30 April 2013, which has not been included in the above combined net tangible assets attributable to owners of our Company. The valuation surplus of the property interests will not be incorporated in our Group's consolidated financial statements in the future. If the valuation surplus were to be included in the consolidated financial statements, an additional annual depreciation charge of approximately HK$776,000 would be incurred.

5. Subsequent to 31 December 2012, a dividend of HK$20,000,000 has been declared by the Company. The above adjustment does not take into account the declaration of this dividend. Taking into account the estimated net proceeds from the Global Offering at the Offer Price of HK$1.51 per Share and HK$2.13 per Share and the dividend declared of HK$20,000,000, the unaudited pro forma adjusted combined net tangible assets per Share would have been approximately HK$0.95 per Share and HK$1.10 per Share, respectively.

PROPERTY INTERESTS

As at 30 April 2013, our property were revalued at HK$89.8 million by CBRE Limited, an independent property valuer. The full text of the letter, summary of valuation and valuation certificate with regard to such property interests are set out in Appendix III to this prospectus.

Disclosure of the reconciliation of the aggregate amounts of property interests from our audited consolidated financial statements as at 31 December 2012 to the unaudited net book value of our property interests as at 2013, as required under Rule 5.07 of the Listing Rules, is set out below:

	(HK$'000)
Net book value of property interest of our Group as at 31 December 2012	
— Buildings and land use rights	33,135
Movements during the four month ended 30 April 2013	
Add: Exchange difference	—
Less: Depreciation during the period	220
Net Book value as at 30 April 2013 (unaudited)	32,915
Valuation surplus as at 30 April 2013 (unaudited)	56,925
Valuation as at 30 April 2013 as per Appendix III to this prospectus	89,840

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had our Group been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the Latest Practicable Date, there had been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2012, and there had been no event since 31 December 2012 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus, in each case except as otherwise disclosed herein.

Our Directors have also confirmed that there has not been any material change in our indebtedness and contingent liabilities since 31 December 2012.

FUTURE PLANS

Please refer to the section headed ''Business — Business Strategies'' in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK$1.82 per Share, being the mid-point of the indicative Offer Price range of HK$1.51 to HK$2.13 per Share, and assuming the Over-allotment Option is not exercised) will be approximately HK$75.0 million. Our Directors intend to apply the net proceeds from the Global Offering as follows:

(i) approximately HK$12.8 million, representing approximately 17.1% of the net proceeds will be used for opening new Retail Outlets in the PRC. We intend to introduce our Josef Seibel branded footwear products in Shanghai by establishing around four concessions in the year ending 31 December 2013 and to expand our retail network to other provinces or cities in the PRC by establishing an additional of approximately (i) 12 concessions in the year ending 31 December 2014; and (ii) 15 concessions in the year ending 31 December 2015.

It is currently estimated that for the establishment of each concession for the year ending 31 December 2013, approximately HK$100,000 will be used for interior design and fitting-out, approximately HK$150,000 will be used for the initial inventory, and approximately HK$50,000 will be used of other miscellaneous initial expenses, and the costs for opening each concession for the years ending 31 December 2014 and 2015 is adjusted based on an assumed increase in costs by 10% per year.

(ii) approximately HK$19.3 million, representing approximately 25.7% of the net proceeds will be used for opening new Retail Outlets in Hong Kong and Taiwan. For Hong Kong, we intended to open an additional of approximately (i) one concession and three self-rented shops in the year ending 31 December 2013; (ii) one concessions and three self-rented shops in the year ending 31 December 2014; and (iii) two concessions and four self-rented shops in the year ending 31 December 2015. For Taiwan, we intended to open an additional of approximately (i) four concessions in the year ending 31 December 2013; (ii) seven concessions in the year ending 31 December 2014; and (iii) 10 concessions in the year ending 31 December 2015.

For Hong Kong, it is currently estimated that for the establishment of each concession for the year ending 31 December 2013, approximately HK$200,000 will be used for fitting-out, approximately HK$150,000 will be used for the initial inventory, and approximately HK$10,000 will be used of other miscellaneous initial expenses, and the costs for opening each concession for the years ending 31 December 2014 and 2015 is adjusted based on an assumed increase in costs by 5% per year.

For Hong Kong, it is currently estimated that for the establishment of each self-rented shops for the year ending 31 December 2013, approximately HK$455,000 will be used for fitting-out, approximately HK$265,000 will be used for the initial inventory, and approximately HK$100,000 will be used of other miscellaneous initial expenses, and the costs for opening each self-rented shop for the years ending 31 December 2014 and 2015 is adjusted based on an assumed increase in costs by 5% per year.

For Taiwan, it is currently estimated that for the establishment of each concession for the year ending 31 December 2013, approximately HK$100,000 will be used for fitting-out, approximately HK$150,000 will be used for the initial inventory and approximately HK$50,000 will be used of other miscellaneous initial expenses, and the costs for opening each concession for the year ending 31 December 2014 and 2015 is adjusted based on an assumed increase in costs by 8% per year.

(iii) approximately HK$23.0 million, representing approximately 30.7% of the net proceeds will be used to settle outstanding amounts due to existing Shareholders (including dividend of HK$20 million declared and remaining balance of amounts due to related parties) and amount due to immediate holding company;

(iv) approximately HK$6.0 million, representing approximately 8.0% of the net proceeds will be used for renovating our Retail Outlets in Hong Kong and Taiwan;

(v) approximately HK$3.8 million, representing approximately 5.0% of the net proceeds will be used for upgrading our information technology systems;

(vi) approximately HK$3.8 million, representing approximately 5.0% of the net proceeds will be used for revamping our logistics facilities in Hong Kong and Taiwan;

(vii) approximately HK$3.8 million, representing approximately 5.0% of the net proceeds will be used for marketing and promotion; and

(viii) the remaining balance of approximately HK$2.5 million, representing 3.5% of the net proceeds, will be used for additional working capital and other general corporate purposes.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK$2.13 per Share, the net proceeds we receive from the Global Offering will increase by approximately HK$15.0 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis for items (iv) to (viii) above, but will not be applied for items (i) to (iii). If the Offer Price is set at the low-end of the indicative Offer Price range, being HK$1.51 per Share, the net proceeds we receive from the Global Offering will decrease by approximately HK$15.0 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis for items (iv) to (viii) above, but will not be applied for items (i) to (iii).

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees and estimated expenses payable by it, will be approximately (i) HK$15.9 million, assuming the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK$2.13 per Share; (ii) HK$13.7 million, assuming the Offer Price is fixed at the mid-point of the indicative Offer Price range, being HK$1.82 per Share; and (iii) HK$11.4 million, assuming the Offer Price is fixed at the low-end of the indicative Offer Price range, being HK$1.51 per Share. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated to the above businesses and projects on a pro-rata basis for items (iv) to (viii) above, but will not be applied for items (i) to (iii).

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

THE CORNERSTONE PLACING

We and the Sole Bookrunner entered into a conditional cornerstone investor placing agreement (the "**Original Cornerstone Placing Agreement**") and an amended and restated cornerstone investor placing agreement (the "**Cornerstone Placing Agreement**"), which amended and restated the Original Cornerstone Placing Agreement in its entirety, with Prosper Wise Holdings Limited ("**Prosper Wise**" or the "**Cornerstone Investor**").

Under the Cornerstone Placing Agreement, to prevent the Cornerstone Investor from becoming a substantial shareholder of our Company immediately after completion of the Cornerstone Placing Agreement, the Cornerstone Investor may subscribe as follows: (i) if the Offer Price is determined at HK$2.00 per Share or less, the maximum number of Shares that may be purchased would be less than HK$40 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable), which rounded down to the nearest board lot of Shares of 2,000 Shares in aggregate at the Offer Price; or (ii) if the Offer Price is determined at more than HK$2.00 per Share, such number of Shares offered by the Company in the International Placing equal to the maximum number of Shares that may be purchased with HK$40 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) rounded down to the nearest board lot of 2,000 Shares.

Assuming an Offer Price of HK$1.82, being the mid-point of the Offer Price range set forth in this prospectus, the maximum number of Shares to be subscribed by the Cornerstone Investor would be 19,988,000 Shares, which would represent approximately 9.99% of our Company's enlarged share capital immediately following the Global Offering (assuming any options which may be granted under the Share Option Scheme are not exercised), approximately 39.98% of the number of Offer Shares offered pursuant to the Global Offering and approximately 44.40% of the number of Offer Shares initially offered pursuant to the International Placing, in each case assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$2.13, being the high-end of the Offer Price range set forth in this prospectus, the maximum number of Shares to be subscribed by the Cornerstone Investor would be 18,778,000 Shares, which would represent approximately 9.39% of our Company's enlarged share capital immediately following the Global Offering (assuming any options which may be granted under the Share Option Scheme are not exercised), approximately 37.56% of the number of Offer Shares offered pursuant to the Global Offering and approximately 41.73% of the number of Offer Shares initially offered pursuant to the International Placing, in each case assuming that the Over-allotment Option is not exercised.

The Cornerstone Investor and its beneficial owners are Independent Third Parties not connected to our Company or our Directors or their associates and not a connected person as defined under the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any board representation in our Company, will not be a Substantial Shareholder of our Company, and it will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Placing Agreement referred to above. The Shares to be subscribed by the Cornerstone

Investor will not be affected by any reallocation of Shares between the International Placing and the Public Offering in the event of over-subscription under the Public Offering as described in the paragraph headed ''Structure of the Global Offering — The Public Offering'' in this prospectus nor any exercise of the Over-allotment Option.

The final number of Offer Shares to be allotted to the Cornerstone Investor will be set out in the allotment results announcement to be issued by the Company on 10, July 2013.

OUR CORNERSTONE INVESTOR

Prosper Wise is a company incorporated in the BVI and is wholly and beneficially owned by Mr. Lau Luen Hung, Thomas (''**Mr. Lau**''). Prosper Wise is principally engaged in the business of investments.

Mr. Lau is the chief executive officer and managing director of Lifestyle International Holdings Ltd. (1212.HK), a company listed on the Stock Exchange since January 2004 (till present). Mr. Lau is also a member of the Chinese People's Political Consultative Conference Shanghai Committee and a member of the Board of Directors of the Shanghai Jiao Tong University.

CONDITIONS PRECEDENT

The subscription obligation of the Cornerstone Investor is subject to, among other things, the following conditions precedent:

(i) the Underwriting Agreements having been entered into and having become effective and unconditional (in accordance with their respective original terms, as subsequently waived by agreement of the parties thereto or waived, to the extent they may be waived, by the relevant parties) by no later than the respective times and dates specified therein;

(ii) the Offer Price having been agreed upon between the Company and the Sole Global Coordinator (on behalf of the Underwriters);

(iii) neither the Public Offer Underwriting Agreement nor the International Placing Underwriting Agreement having been terminated;

(iv) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares and that such approval or permission has not been revoked;

(v) no laws having been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Public Offer, the International Placing or the Cornerstone Placing Agreement and there having been no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(vi) the respective representations and warranties of the Cornerstone Investor and our Company contained in the Cornerstone Placing Agreement remain accurate and true and not misleading and that there is no material breach of the Cornerstone Placing Agreement on the part of the Cornerstone Investor and our Company on the Listing Date.

DISPOSAL RESTRICTION

The Cornerstone Investor covenants with and undertakes to our Company and the Sole Global Coordinator, among others, that:

(a) without the prior written consent of our Company and the Sole Global Coordinator, it will not, at any time during the period of six months following the date of commencement of dealings in the Shares on the Stock Exchange (the ''**Lock-up Period**''), directly or indirectly, dispose of any of the Shares;

(b) in the event of a disposal of any its Shares at any time after the Lock-up Period, the Cornerstone Investor shall first notify in writing and consult with our Company and the Sole Global Coordinator prior to such disposal and the Cornerstone Investor will use all reasonable endeavours to ensure that any such disposal will not create a disorderly or false market for the Shares and is otherwise in compliance with the SFO.

(c) the above (a) and (b) shall not prevent (i) the Cornerstone Investor from transferring its Shares to any wholly-owned subsidiary of the Cornerstone Investor or vice versa or (ii) a wholly-owned subsidiary of the Cornerstone Investor from transferring its Shares to any other wholly-owned subsidiary of the Investor (collectively, ''**permitted arrangements**'') provided that, in all cases:

(i) such subsidiary shall first give a written undertaking in favour of our Company and the Sole Global Coordinator agreeing to be bound by the Cornerstone Investor's obligations under the Cornerstone Placing Agreement; and

(ii) if any of its wholly-owned subsidiaries that holds any its Shares as a result of any permitted arrangements is about to or will cease to be a wholly-owned subsidiary of the Cornerstone Investor, such entity must (and the Cornerstone Investor shall procure that such entity shall), before ceasing to be a wholly-owned subsidiary of the Cornerstone Investor, ensure that its entire interest in any its Shares shall be fully and effectively transferred to the Investor or to another wholly-owned subsidiary of the Cornerstone Investor which will also be required to agree to be bound by the Cornerstone Investor's obligations under the Cornerstone Placing Agreement.

(d) The Cornerstone Investor agrees that, save with the prior written consent of our Company (which consent may be given or withheld at the sole discretion of our Company), the aggregate holding (whether direct or indirect) of the Cornerstone Investor and its associates in the total issued share capital of our Company shall be less than 10% of our Company's entire issued share capital at all times.

PUBLIC FLOAT

The Shares to be held by the Cornerstone Investor pursuant to the Cornerstone Placing Agreement will be counted towards the public float of our Company.

PUBLIC OFFER UNDERWRITERS

Sole Lead Manager

RHB OSK Securities Hong Kong Limited

Co-managers

Cinda International Securities Limited

CMB International Capital Limited

Industrial Securities (Hong Kong) Capital Limited

SBI E2-Capital Financial Services Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the International Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for the Public Offer Shares are subject to termination. The Sole Global Coordinator (on behalf of all the Public Offer Underwriters) shall have the absolute right by notice in writing to the Company to terminate the Public Offer Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the "**Termination Time**") if any of the following events shall occur prior to the Termination Time:

1. There comes to the notice of the Sole Global Coordinator:

   (a) any matter or event showing any of the representations, warranties, agreements and undertakings given to the Public Offer Underwriters under the Public Offer Underwriting Agreement (the "**Warranties**") to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the Warranties or any other provisions of the Public Offer Underwriting Agreement by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriters which, in any such cases, is considered, in the reasonable opinion of the Sole Global Coordinator, to be material in the context of the Public Offer; or

   (b) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect which is considered, in the reasonable opinion of the Sole Global Coordinator, to be material in the context of the Public Offer; or

   (c) any event, series of events, matters or circumstances occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the Warranties untrue, incorrect or misleading in any material respect, and which is considered, in the reasonable opinion of the Sole Global Coordinator to be material in the context of the Public Offer; or

   (d) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the reasonable opinion of the Sole Global Coordinator, a material omission in the context of the Public Offer; or

   (e) any event, act or omission which gives or is likely to give rise to any liability of a material nature of the Company and any of the executive Directors and the Controlling Shareholders arising out of or in connection with the breach of any of the Warranties; or

   (f) any breach by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriters of any provision of the Public Offer Underwriting Agreement which, in the reasonable opinion of the Sole Global Coordinator, is material;

2. there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:

   (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Macau, Taiwan, the PRC, the BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business of our Group; or

   (b) any change in, or any event or series of events or development resulting or likely to result in any change in Hong Kong, Macau, Taiwan, the PRC, the BVI, the Cayman Islands or any of the jurisdictions relevant to the business of our Group, the local, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or

   (c) any adverse change in the conditions of Hong Kong or international equity securities or other financial markets; or

   (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances; or

   (e) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, Macau, Taiwan, the PRC, the BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to our Group's business; or

(f) any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of any member of our Group; or

(g) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the U.S. or by the European Union (or any member thereof) on Hong Kong, Taiwan, Macau or the PRC; or

(h) a general moratorium on commercial banking activities in the PRC, Hong Kong, Taiwan or Macau declared by the relevant authorities; or

(i) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out;

which, in the reasonable opinion of the Sole Global Coordinator acting in good faith:

(a) is or will be, or is likely to be, adverse, in any material respect, to the business, financial or other condition or prospects of our Group taken as a whole; or

(b) has or will have or is reasonably likely to have a material adverse effect on the success of the Global Offering or the level of the Offer Shares being applied for or accepted, or the distribution of the Offer Shares; or

(c) makes it impracticable, inadvisable or inexpedient for the Public Offer Underwriters to proceed with the Public Offer as a whole.

For the above purpose:

(a) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. or a material devaluation of the Renminbi against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and

(b) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

Undertakings

Pursuant to the Public Offer Underwriting Agreement, our Company had undertaken to each of the Sole Global Coordinator, the Sole Sponsor, the Sole Lead Manager and the Public Offer Underwriters 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 upon exercise of any such options or as otherwise permitted under the Listing Rules, our Company will not, and our Company, the Controlling Shareholders and each of our executive Directors will procure, that our subsidiaries will not, unless with the prior written consent of the Sole Global Coordinator (on behalf of the Public Offer Underwriters), such consent not to be unreasonably withheld or delayed, and in compliance with the requirements of the Listing Rules:

(i) allot or issue, or agree to allot or issue, Shares or other securities of our Company (including warrants or other convertible or exchangeable securities) or grant or agree to grant any options, warrants, or other rights to subscribe for or convertible or exchangeable into Shares or other securities of our Company; or

(ii) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or offer to or agree to do any of the foregoing or announce any intention to do so,

during the six months immediately following the Listing Date (the ''**First Six-month Period**'').

In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-month Period (the ''**Second Six-month Period**''), it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Each of the Controlling Shareholders has jointly and severally undertaken, and each of Mr. Dominic Chu and Mr. Haeta Chu has severally undertaken, to each of the Sole Global Coordinator, our Company and the Public Offer Underwriters that during the First Six-month Period, it or he shall not, and shall procure that the relevant registered holder(s) and its or his associates and companies controlled by it or he and any nominee or trustee holding in trust for it or he shall not, without the prior written consent of the Sole Global Coordinator unless as a result of any exercise of the Over-allotment Option or otherwise in compliance with the requirements of the Listing Rules:

(i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares in respect of which it or he is shown in this prospectus to be directly or indirectly interested in (the ''Relevant Securities''); 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 the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Relevant Securities or such other securities, in cash or otherwise; or

(iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or

(iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above.

Each of the Controlling Shareholders has jointly and severally undertaken to the Sole Global Coordinator, our Company and the Public Offer Underwriters that it or he shall not, and shall procure that the relevant registered holder(s) and its or his associates or companies controlled by it or him and any nominee or trustee holding in trust for it or him shall not, without the prior written consent of the Stock Exchange in the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by it or him or any of its or his associates or companies controlled by it or him or her or any nominee or trustee holding in trust for it or him if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be a Controlling Shareholder or would together with the other Controlling Shareholders cease to be, or be regarded as, Controlling Shareholders.

In the event of a disposal of any of the Shares or securities of our Company directly or indirectly beneficially owned by it or him or any interest therein within the Second Six-month Period, the relevant Controlling Shareholder shall take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for any Shares or other securities of our Company.

Each of the Controlling Shareholders, Mr. Dominic Chu and Mr. Haeta Chu has further undertaken to each of our Company, the Sole Global Coordinator and the Public Offer Underwriters that within the first twelve months from the Listing Date, he or it will:

(i) when he or it pledges or charges any securities or interests in the securities of our Company beneficially owned by him or it directly or indirectly, immediately inform our Company and the Sole Global Coordinator in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and

(ii) when he or it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Global Coordinator in writing of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by the Controlling Shareholders and disclose such matters by way of a press announcement.

The International Placing

In connection with the International Placing, it is expected that our Company will enter into the International Placing Underwriting Agreement with, among others, the International Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer 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 or procure subscribers for the International Placing Shares being offered pursuant to the International Placing.

Our Company will grant to the Sole Global Coordinator (for and on behalf of the International Placing Underwriters) the Over-allotment Option, exercisable by the Sole Lead Manager at any time from the date of the Price Determination Date until 30 days after the last date for the lodging of applications under the Public Offer, to require our Company to allot and issue up to an aggregate of 7,500,000 additional Shares representing 15% of the number of Offer Shares initially offered under the Global Offering, at the same price per Share under the International Placing to cover, among other things, over-allocations (if any) in the International Placing, if any, and/or the obligations of the Sole Global Coordinator (for and on behalf of the International Placing Underwriters) to return Shares which it may have borrowed under the Stock Borrowing Agreement.

Commissions and expenses

The Underwriters will receive an underwriting commission at the rate of 2.5% of the aggregate Offer Price payable for the Offer Shares (including shares to be issued pursuant to the Over-allotment Option), out of which they will pay any sub-underwriting commissions. Such commission, together with the Stock Exchange listing fees, the Stock Exchange trading fees, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Global Offering, is currently estimated to be approximately HK$19.1 million in aggregate (based on an Offer Price of HK$1.82 per Offer Share, being the mid-point of the indicative Offer Price range of HK$1.51 per Share and HK$2.13 per Offer Shares and the assumption that the Over-allotment Option is not exercised) and is paid or payable by our Company.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Global Offering.

INDEPENDENCE OF THE SOLE SPONSOR

RHB OSK Capital, being the Sole Sponsor, satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares 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. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

THE GLOBAL OFFERING

This prospectus is published in connection with the Public Offer as part of the Global Offering. RHB OSK Capital is the Sole Sponsor and RHB OSK Securities is the Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager.

The Global Offering consists of (subject to reallocation and the Over-allotment Option):

- the Public Offer of 5,000,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described under the section headed ''Structure and Conditions of the Global Offering — The Public Offer'' in this prospectus. The Public Offer Shares include the 500,000 Shares initially available for subscription by Eligible Employees on a preferential basis; and

- the International Placing of 45,000,000 Shares (subject to reallocation as mentioned below) outside the United States in reliance on Regulation S of the U.S. Securities Act as described under the section headed ''Structure and Conditions of the Global Offering — The International Placing'' in this prospectus.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. The International Placing will involve selective marketing of the Offer Shares to institutional and professional investors. The International Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the section headed ''Structure and Conditions of the Global Offering — Pricing and Allocation'' in this prospectus.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK$2.13 per Offer Share and is expected to be not less than HK$1.51 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK$2.13 per Public Offer Share plus 1% brokerage, a 0.003% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK$4,302.94 for one board lot of 2,000 Shares. Each Application Form includes a table showing the exact amounts payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK$2.13 per Public Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

Determining the Offer Price

The International Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as ''book-building'', is expected to continue up to, and to cease on or about Thursday, 4 July 2013.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Friday, 5 July 2013 and in any event, no later than 12:00 noon on Monday, 8 July 2013.

If, for any reason, our Company and the Sole Global Coordinator (on behalf of the Underwriter) are unable to reach agreement on the Offer Price at or before 12:00 noon on Monday, 8 July 2013, the Global Offering will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator (on behalf of the Underwriters) considers it appropriate and together with our consent, the indicative Offer Price range and/or the number of Offer Shares 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 Public Offer.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published in The Standard (in English) and Sing Tao Daily (in Chinese) notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed ''Summary'' in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised

Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer.

Allocation

The Shares to be offered in the Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Allocation of the Offer Shares pursuant to the International Placing will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

Allocation of the Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the International Placing and the basis of allocations of the Public Offer Shares are expected to be announced on Wednesday, 10 July 2013 in The Standard (in English) and Sing Tao Daily (in Chinese).

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** application forms, or by giving **electronic application instructions** to HKSCC or by applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, will be made available through a variety of channels as described in the section headed ''How to Apply for Public Offer Shares and Employee

Reserved Shares — Channels of Applying for the Public Offer Shares — 9. Publication of Results, Despatch/Collection of Share Certificates and Refunds of Application Monies'' in this prospectus.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional upon, among other things:

- the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be made available pursuant to the Capitalisation Issue, the exercise of the Over-allotment Option and any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme);

- the Offer Price having been duly agreed on or around the Price Determination Date;

- the execution and delivery of the International Placing Underwriting Agreement on or around the Price Determination Date; and

- the obligations of the Underwriters under each of the International Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

The consummation of each of the Public Offer and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will cause to be published by us in The Standard (in English) and Sing Tao Daily (in Chinese) on the next day following such lapse.

Share certificates for the Offer Shares are expected to be issued on Wednesday, 10 July 2013 but will only become valid certificates of title at 8:00 a.m. on Thursday, 11 July 2013, 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 — The Public Offer — Grounds for Termination'' in this prospectus has not been exercised.

THE PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 5,000,000 Shares at the Offer Price, representing 10% of the 50,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of the total issued share capital of our Company immediately after completion of the Global Offering, (assuming that the Over-allotment Option is not exercised). The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions as set out in the section headed ''Structure and Conditions of the Global Offering — Conditions of the Public Offer'' above.

Of the 5,000,000 new Shares initially being offered under the Public Offer, 500,000 new Shares (representing approximately 10% and 1% of the total number of Shares initially being offered under the Public Offer and the Global Offering, respectively) are available for subscription by the Eligible Employees on a preferential basis, subject to the terms and conditions set out in this prospectus and the **PINK** Application Forms.

Allocation

For allocation purposes only, the Public Offer Shares initially being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the International Placing and after deducting the number of Employees Reserved Shares validly applied for under the Employee Preferential Offering) will be allocated to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation that others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares. In addition, multiple or suspected multiple applications will be rejected. No application will be accepted from applicants for more than 4,500,000 Public Offer Shares (being 90% of the initial number of Public Offer Shares).

Reallocation

The allocation of the Shares between the Public Offer and the International Placing is subject to adjustment. If the number of Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Public Offer, the total number of Shares available under the Public Offer will be increased to 15,000,000 Shares, 20,000,000 Shares and 25,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Shares allocated in the International Placing will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate.

If the Public Offer Shares are not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Public Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may reallocate Offer Shares from the International Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Applications

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Public Offer to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

EMPLOYEE PREFERENTIAL OFFERING

Up to 500,000 Employee Reserved Shares, representing approximately 10% of the Offer Shares available under the Public Offer and approximately 0.25% of the enlarged issued share capital of our Company upon completion of the Global Offering without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme, which are not subject to reallocation to the International Placing as described in the paragraph headed ''The Public Offer — Reallocation'' above, are available for subscription by the Eligible Employees on a preferential basis.

The 500,000 Employee Reserved Shares available for application by Eligible Employees on **PINK** Application Forms will be allocated to such applicants on a basis to be determined by our Hong Kong Share Registrar based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. The allocation of Employee Reserved Shares to Eligible Employees will in any event be made on an equitable basis and will not be based on the identity, seniority, work performance or length of service of the Eligible Employees. No favour will be given to an Eligible Employee who applies for a large number of Employee Reserved Shares. Any application made on a **PINK** Application Form for more than 500,000 Employee Reserved Shares will be rejected. Allocation of Public Offer Shares under the Employee Preferential Offering will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules.

In addition to any application for Employee Reserved Shares on a **PINK** Application Form, an Eligible Employee will be entitled to apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form or by submitting application online through the designated website of the **HK eIPO White Form** Service Provider or giving electronic application instruction to HKSCC via CCASS.

As at the Latest Practicable Date, there were 254 Eligible Employees. In case not all of the 500,000 Employee Reserved Shares are subscribed for by the Eligible Employees, the undersubscribed Employee Reserved Shares will be made available as Public Offer Shares for subscription by the public under the Public Offer.

THE INTERNATIONAL PLACING

Number of Offer Shares offered

The number of Shares to be initially offered for subscription under the International Placing will be 45,000,000 Shares, representing 90% of the Offer Shares under the Global Offering. The International Placing is subject to the Public Offer being unconditional.

Allocation

Pursuant to the International Placing, the International Placing Underwriters will conditionally place the Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S of the U.S. Securities Act. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the ''book-building'' process described in paragraph headed ''Pricing and Allocation'' above and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares after Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

OVER-ALLOTMENT OPTION

The Company is expected to grant to the Sole Global Coordinator (for and on behalf of the International Placing Underwriters) the Over-allotment Option, exercisable by the Sole Lead Manager at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of Application Forms under the Public Offer. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, our Company may be required to allot and issue up to 7,500,000 Shares, representing 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price.

STOCK BORROWING AGREEMENT

RHB OSK Securities, as stabilising manager, or any person acting for it may choose to borrow 7,500,000 Shares from KTS International, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

— such stock borrowing arrangement with KTS International will only be effected by the stabilising manager for settlement of over-allocations in the International Placing and covering any short position prior to the exercise of the Over-allotment Option;

— the maximum number of Shares borrowed from KTS International under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon the exercise of the Over-allotment Option;

— the same number of Shares so borrowed must be returned to KTS International or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the date on which the Over-allotment Option is exercised in full and the relevant over-allocation shares have been allocated, and (iii) such earlier time as the parties may from this to time agree in writing;

— the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and

— no payment will be made to KTS International by the stabilising manager or its authorised agents in relation to such stock borrowing arrangement.

STABILISATION AND OVER-ALLOTMENT

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, RHB OSK Securities, as stabilising manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on RHB OSK Securities or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of RHB OSK Securities and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely, 7,500,000 Shares, which is 15% of the number of Offer Shares initially available under the Global Offering.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the shares pursuant to the Over-allotment

Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Shares should note that:

- RHB OSK Securities, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which RHB OSK Securities, or any person acting for it, will maintain such a position;
- liquidation of any such long position by RHB OSK Securities 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 following announcement of the Offer Price, and is expected to expire on the last business day immediately before the 30th day after the last date for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period. Such stabilisation action, if commenced, may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws, rules and regulatory requirements, including the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO.

In connection with the Global Offering, RHB OSK Securities may over-allocate up to and not more than an aggregate of 7,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Placing, RHB OSK Securities may borrow up to 7,500,000 Shares from KTS International, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our 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 HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 11 July 2013, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 11 July 2013. The Shares will be traded in board lots of 2,000 Shares.

CHANNELS OF APPLYING FOR THE PUBLIC OFFER SHARES

There are two channels to make an application for the Public Offer Shares. You may either (i) use a **YELLOW** or **WHITE** Application Form; or (ii) electronically instruct HKSCC to cause HKSCC Nominees or through the **HK eIPO White Form** service to cause to the **HK eIPO White Form** Service Provider to apply for the Public Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service.

In addition, if you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** Application Form.

1. WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for Public Offer Shares if you or any person(s) for whose benefit you are applying are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- outside the United States;
- are not a U.S. Person; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors or those who have obtained approval from competent regulatory authorities).

If you wish to apply for Public Offer Shares online through the designated website at **www.hkeipo.hk** under the **HK eIPO White Form** service, 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 **HK eIPO White Form** service if you are an individual applicant. Corporations or joint applicants may not apply by means of the **HK eIPO White Form** service.

In addition, if you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** Application Form.

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 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 their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

Our Company and the Sole Global Coordinator, in its capacity as the agent of our Company, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Public Offer Shares are not available to existing beneficial owners of Shares, our Directors, or chief executive officers or their respective associates or any other connected persons (as defined in the Listing Rules) of our Company or persons who will become connected persons of our Company immediately upon completion of the Global Offering.

You should also note that you may apply for Shares under the Public Offer or indicate an interest for shares under the International Placing, but may not do both.

2. APPLYING BY USING AN APPLICATION FORM

- Use a **WHITE** Application Form if you want the Shares issued in your own name;
- Use a **YELLOW** Application Form if you want the Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

3. WHERE TO COLLECT THE PROSPECTUS AND APPLICATION FORMS

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Friday, 28 June 2013 till 12:00 noon on Thursday, 4 July 2013 from:

- The following addresses of the Public Offer Underwriters;

  RHB OSK Securities Hong Kong Limited at 12th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong;

  Cinda International Securities Limited at 45/F., Cosco Tower, 183 Queen's Road Central, Hong Kong;

  CMB International Capital Limited at Room 1803–4, 18/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong;

Industrial Securities (Hong Kong) Capital Limited at Unit 3201, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong; and

SBI E2-Capital Financial Services Limited at Unit A2, 32/F., United Centre, 95 Queensway, Hong Kong.

- or any of the following branches of The Bank of East Asia, Limited:

District	Branch Name	Address
Hong Kong Island	Wanchai Branch	Shop A–C, G/F, Easey Commercial Building, 253–261 Hennessy Road, Wanchai
	Taikoo Shing Branch	Shop G1010–1011, Yiu Sing Mansion
Kowloon	Prince Edward Branch	G/F, Hanley House, 776–778 Nathan Road
	Millennium City 5 Branch	Shop 1, G/F, Millennium City 5, 418 Kwun Tong Road, Kwun Tong
	East Tsim Sha Tsui Branch	Shop G3–G5, G/F, East Ocean Centre, 98 Granville Road, Tsim Sha Tsui
New Territories	Tai Wai Branch	16–18 Tai Wai Road, Cheung Fung Mansion, Shatin
	Metro City Plaza Branch	Shop 243, Level 2, Metro City Plaza I, Tseung Kwan O

Prospectuses and **WHITE** Application Forms will be available for collection at the above places during the following times:

Friday, 28 June 2013	**—**	**9:00 a.m. to 5:00 p.m.**
Saturday, 29 June 2013	**—**	**9:00 a.m. to 1:00 p.m.**
Tuesday, 2 July 2013	**—**	**9:00 a.m. to 5:00 p.m.**
Wednesday, 3 July 2013	**—**	**9:00 a.m. to 5:00 p.m.**
Thursday, 4 July 2013	**—**	**9:00 a.m. to 12:00 noon**

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 28 June 2013 till 12:00 noon on Thursday, 4 July 2013 from:

- the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong

- your stockbroker may also have Application Forms and this prospectus available.

A **PINK** Application Form together with this prospectus can be collected by Eligible Employees from our Company's headquarters at Flat F–J, 11th Floor, Block 2, Kwai Tak Industrial Centre, 15–33 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong during normal business hours from 9:00 a.m. on Friday, 28 June 2013 until 4:00 p.m. on Wednesday, 3 July 2013. Electronic copies of the **PINK** Application Form and this prospectus can be viewed from the website of our Company at **www.s-culture.com**.

4. HOW TO COMPLETE THE APPLICATION FORMS

(a) Obtain an Application Form as described in the section headed ''How to Apply for Public Offer Shares and Employee Reserved Shares — Channels of Applying for the Public Offer Shares — 3. Where to Collect the Prospectus and Application Forms'' above.

(b) Complete the Application Form in English using blue or black ink, and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the 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 applicants) at your own risk at the address stated in the Application Form.

(c) Each Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the Application Form.

(d) Lodge the Application Form in one of the collection boxes by the time and at one of the locations, as respectively referred to in the section headed ''How to Apply for Public Offer Shares and Employee Reserved Shares — Channels of Applying for the Public Offer Shares — 6. When May Applications Be Made'' below.

(e) You should note that by signing on the Application Form:

(i) you confirm that you have only relied on the information and representations in this prospectus and the Application Form in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;

(ii) you agree that our Company, our Directors, the Sole Global Coordinator, the Underwriters and other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;

(iii) you 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 indicated an interest for, applied for or taken up any of the International Placing Shares; and

(iv) you agree to disclose to our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator and their respective 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.

In order for an application made on a **YELLOW** Application Form 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 signatures will be accepted.

(i) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):

(A) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.

(ii) If the application is made by an individual CCASS Investor Participant:

(A) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and

(B) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(iii) If the application is made by a joint individual CCASS Investor Participant:

(A) the Application Form must contain all joint CCASS Investor Participants' names and Hong Kong identity card numbers; and

(B) the participant I.D. must be inserted in the appropriate box in the Application Form.

(iv) If the application is made by a corporate CCASS Investor Participant:

(A) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and

(B) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested 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 joint beneficial owner.

If your application is made through a duly authorised attorney, our Company and the Sole Global Coordinator as the agent of our Company may accept it at our discretion, and subject to any conditions our Company thinks fit, including evidence of the authority of your attorney.

Our Company and the Sole Global Coordinator in its capacity as the agent of our Company, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

5. (I) APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

(a) General

CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for the Public Offer Shares and to arrange payment of the monies 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.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System **(https://ip.ccass.com)** (using the procedures contained in HKSCC's ''An Operating Guide for Investor Participants'' in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf. You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company, the Sole Global Coordinator and the Hong Kong Share Registrar.

(b) Application for Public Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Public Offer Shares:

(a) HKSCC Nominees is only acting as a 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;

(b) HKSCC Nominees does the following on behalf of each such person:

(i) agrees that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;

(ii) undertakes and agrees to accept the Public Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;

(iii) undertakes and confirms that that person has not indicated an interest for, applied for or taken up any Offer Shares under the International Placing nor otherwise participated in the International Placing;

(iv) (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;

(v) (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;

(vi) understands that the above declaration will be relied upon by our Company, our Directors and the Sole Global Coordinator in deciding whether or not to make any allotment of Public Offer Shares in respect of the **electronic application instructions** given by that person and that person may be prosecuted if he makes a false declaration;

(vii) authorises our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Public Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;

(viii) confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

(ix) confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations save as set out in any supplement to this prospectus, and that person agrees that neither our Company, our Directors, the Sole Global Coordinator, the Underwriters or any of the parties involved in the Global Offering will have any liability for any such other information or representation;

(x) agrees that our Company, the Sole Global Coordinator, the Underwriters and any of their respective directors, officers, employees, partners, agents or advisers are liable only for the information and representations contained in this prospectus and any supplement thereto;

(xi) agrees to disclose that person's personal data to our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents and any information which they may require about that person for whose benefit the application is made;

(xii) agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;

(xiii) agrees that any application made by HKSCC Nominees on behalf of that person pursuant to the **electronic application instructions** given by that person is irrevocable before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that Section which excludes or limits the responsibility of that person for this prospectus;

(xiv) agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer published by our Company;

(xv) agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Public Offer Shares;

(xvi) agrees with our Company, for ourselves and for the benefit of each of the Shareholders (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance and the Articles of Association; and

(xvii) agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

(c) Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, and the related brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Offer Share paid on application, refund of the application monies (in each case including brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

(d) Minimum Subscription Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 2,000 Public Offer Shares. Each **electronic application instruction** in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares 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 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.

(e) Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

(f) Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance.

(g) Personal Data

The section of the Application Form headed ''Personal data'' applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

(h) Warning

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Sole Global Coordinator and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the Systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either:

(i) submit a **WHITE** or **YELLOW** Application Form; or

(ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 4 July 2013, or such later time as described under the section headed ''How to Apply for Public Offer Shares and Employee Reserved Shares — When may applications be made — Effect of bad weather conditions on the opening of the application lists'' below.

(II) APPLYING THROUGH HK EIPO WHITE FORM

(a) If you are an individual and meet the criteria set out above in ''How to Apply for Public Offer Shares and Employee Reserved Shares — Who can apply for the Public Offer Shares'', you may apply under the **HK eIPO White Form** service by submitting an application to the **HK eIPO White Form** Service Provider at the designated website at **www.hkeipo.hk**. If you apply under the **HK eIPO White Form** service, the Shares will be issued in your own name.

(b) Detailed instructions for application through the **HK eIPO White Form** service are set out in the designated website at **www.hkeipo.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the **HK eIPO White Form** Service Provider and may not be submitted to our Company.

(c) In addition to the terms and conditions set out in this prospectus, the **HK eIPO White Form** Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO White Form** service. Such terms and conditions are set out on the designated website at **www.hkeipo.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

(d) By submitting an application to the **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service, you are deemed to have authorised the **HK eIPO White Form** Service Provider to transfer the details of your application to our Company and the Hong Kong Share Registrar.

(e) You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 2,000 Public Offer Shares. Each application instruction in respect of more than 2,000 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.hkeipo.hk**.

(f) You should apply through the **HK eIPO White Form** service at the times set out the paragraph headed ''6. When May Applications Be Made'' below.

(g) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at **www.hkeipo.hk**. **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Thursday, 4 July 2013, or such later time as described under the paragraph headed ''6. When May Applications Be Made — (f) Effect of bad weather conditions on the opening of the application lists'' below, 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.hkeipo.hk.**

(h) Once you have completed payment in respect of any application instruction given by you or for your benefit to the designated **HK eIPO White Form** Service Provider, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

(i) **Warning**: The application for Public Offer Shares through the **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Our Company, our Directors, the Sole Global Coordinator and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the **HK eIPO White Form** service will be submitted to our Company or that you will be allotted any Public Offer Shares.

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 HK eIPO White Form** service, you are advised not to wait until the last day for submitting applications in the Public Offer to submit your application instructions. In the event that you have problems connecting to the designated website for the **HK eIPO White Form** service, you

should submit a **WHITE** Application Form. However, once you have submitted the application instruction and completed payment in full using the payment reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit another application. Please refer to the paragraph headed ''7. How Many Applications May Be Made'' below.

6. WHEN MAY APPLICATIONS BE MADE

(a) Applications on WHITE or YELLOW Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed under the paragraph headed ''3. Where to Collect the Prospectus and Application Forms'' above at the following times:

Friday, 28 June 2013	**—**	**9:00 a.m. to 5:00 p.m.**
Saturday, 29 June 2013	**—**	**9:00 a.m. to 1:00 p.m.**
Tuesday, 2 July 2013	**—**	**9:00 a.m. to 5:00 p.m.**
Wednesday, 3 July 2013	**—**	**9:00 a.m. to 5:00 p.m.**
Thursday, 4 July 2013	**—**	**9:00 a.m. to 12:00 noon**

Completed **WHITE** and **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Thursday, 4 July 2013, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed ''6. When May Application Be Made — (f) Effect of bad weather conditions on the opening of the application lists'' below.

(b) Applications on PINK application forms

Your completed **PINK** Application Form, together with a cheque attached and marked payable to ''The Bank of East Asia (Nominees) Limited — S. Culture Public Offer'' for the payment must be returned to our Company's headquarters at Flat F-J, 11th Floor, Block 2, Kwai Tak Industrial Centre, 15-33 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong by 4:00 p.m. on Wednesday, 3 July 2013.

(c) Electronic Application Instructions to HKSCC via CCASS

CCASS Clearing/Custodian Participants should input **electronic application instructions** at the following times on the following dates:

Friday, 28 June 2013	**—**	**9:00 a.m. to 8:30 p.m.**[*(Note)*]
Saturday, 29 June 2013	**—**	**8:00 a.m. to 1:00 p.m.**[*(Note)*]
Tuesday, 2 July 2013	**—**	**8:00 a.m. to 8:30 p.m.**[*(Note)*]
Wednesday, 3 July 2013	**—**	**8:00 a.m. to 8:30 p.m.**[*(Note)*]
Thursday, 4 July 2013	**—**	**8:00 a.m.**[*(Note)*] **to 12:00 noon**

Note:

These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 28 June 2013 until 12:00 noon on Thursday, 4 July 2013 (24 hours daily, except the last application day).

The latest time for inputting **electronic application instructions** will be 12:00 noon on Thursday, 4 July 2013, the last application day, or if the application lists are not open on that day, by the time and date stated in the paragraph headed ''6. When May Applications Be Made — (f) Effect of bad weather conditions on the opening of the application lists'' below.

(d) Applying online through HK eIPO White Form Service Provider under HK eIPO White Form service

You may submit your application to the **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** from 9:00 a.m. on Friday, 28 June 2013 until 11:30 a.m. on Thursday, 4 July 2013 or such later time as described under the paragraph headed ''6. When May Applications Be Made — (f) Effect of bad weather conditions on the opening of the application lists'' below (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 Thursday, 4 July 2013, the latest application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed ''6. When May Applications Be Made — (f) Effect of bad weather conditions on the opening of the application lists'' below.

You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the 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.

(e) Application lists

The application lists will open from 11:45 a.m. to 12:00 noon on Thursday, 4 July 2013, except as provided in the paragraph headed ''6. When May Applications Be Made — (f) Effect of bad weather conditions on the opening of the application lists'' below.

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.

(f) Effect of bad weather conditions on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a ''black'' rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 4 July 2013. Instead they will 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.

7. HOW MANY APPLICATIONS MAY BE MADE

Multiple applications or suspect multiple applications are liable to be rejected.

You may make more than one application for the Public Offer Shares only in the following circumstances:

(a) **if you are a nominee**, in which case you may both give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked ''For nominees'' you must include:

- an account number; or
- some other identification code

for **each** beneficial owner. If you do not include this information, the application will be treated as being for your benefit; or

(b) if you are a full-time employee and apply on a **PINK** Application Form, you may also apply for the public offer shares on a **WHITE** or **YELLOW** Application Form or electronically through HKSCC (if you are a CCASS Participant or act through a CCASS Clearing Participant or a CCASS Custodian Participant) or through the designated website at **www.hkeipo.hk** under the **HK eIPO White Form** service.

Otherwise, multiple applications are not allowed.

By completing and delivering an Application Form, you:

- (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service (**www.hkeipo.hk**); or

- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this 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 designated **HK eIPO White Form** Service Provider and that you are duly authorised to sign the Application Form as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your application, all of your applications 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) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **HK eIPO White Form** Service Provider (**www.hkeipo.hk**);

- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC via CCASS or to the designated **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service (**www.hkeipo.hk**);

- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly with others) or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service **www.hkeipo.hk** for more than 4,500,000 Public Offer Shares; or

- have applied for or taken up, or indicated an interest for, or have been or will be allocated or placed (including conditionally and/or provisionally) International Placing Shares under the International Placing.

All of your applications will also 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**).

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares 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 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. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The maximum Offer Price is HK$2.13 per Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 2,000 Public Offer Shares, you will pay HK$4,302.94. The Application Forms have tables showing the exact amount payable for certain numbers of Public Offer Shares up to 4,500,000 Public Offer Shares.

You must pay the maximum Offer Price and related brokerage, SFC transaction levy and the Stock Exchange trading fee in full when you apply for the Public Offer Shares. You must pay the amount payable upon application for Public Offer Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Form.

If your application is successful, brokerage is paid to participants of the Stock Exchange or the Stock Exchange, and the SFC transaction levy and Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy collected by the Stock Exchange on behalf of the SFC).

9. PUBLICATION OF RESULTS, DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUNDS OF APPLICATION MONIES

(a) Publication of results

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing and the basis of allotment of the Public Offer Shares on Wednesday, 10 July 2013 in The Standard (in English) and Sing Tao Daily (in Chinese).

Results of allocations in the Public Offer and Preferential Offering, including the Hong Kong identity card / passport / Hong Kong business registration numbers of successful applicants (where supplied) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by **giving electronic application instructions** to HKSCC via CCASS or by applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, will be made available at the times and dates and in the manner specified below:

- results of allocations will be available from our Company's website at **www.s-culture.com** on Wednesday, 10 July 2013;
- results of allocations will be available from the website of the Stock Exchange at **www.hkexnews.hk** from Wednesday, 10 July 2013;
- results of allocations will be available from our Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Public Offer Shares

allocated to them, if any, by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 10 July 2013 to Monday, 15 July 2013 (excluding Saturday, Sunday and Public Holiday);

- results of allocations will be available from the website at **www.tricor.com.hk/ipo/result** on a 24-hour basis from 8:00 a.m. Wednesday, 10 July 2013 to 12:00 midnight on Tuesday, 16 July 2013. 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 to search for his/her/its own allocation result; and

- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Wednesday, 10 July 2013 to Friday, 12 July 2013 at all the receiving bank branches and sub-branches at the addresses set out in the paragraph headed ''3. Where to Collect the Prospectus and Application Forms'' above.

(b) Dispatch/collection of share certificates and refund monies

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the initial price per Offer Share (excluding brokerage fee, SFC transaction levy, and Stock Exchange trading fee thereon) paid on application, or if the conditions of the Global Offering are not fulfilled in accordance with the section headed ''Structure and Conditions of the Global Offering — Conditions of the Public Offer'' or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy, and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

You will receive one share certificate for all the Public Offer Shares issued to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Public Offer Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** or **PINK** Application Form, subject as mentioned below, in due course, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form or given via online application:

(a) (i) share certificate(s) for all the Public Offer Shares applied for, if the application is wholly successful; or (ii) share certificate(s) for the number of Public Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose share certificates will be deposited into CCASS as described below); and/or

(b) refund cheque(s) crossed ''Account Payee Only'' in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the initial price per Offer Share paid on application in the event that the Offer Price is less than the initial price per Offer Share paid on application, in each case including related brokerage fee at the rate of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% but without interest.

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Subject as mentioned below, refund cheque for surplus application monies (if any) in respect of wholly and partially unsuccessful applications under **WHITE** or **YELLOW** or **PINK** Application Forms and share certificates for successful applicants under **WHITE** or **PINK** Application Forms or through **HK eIPO White Form** service are expected to be posted on or before Wednesday, 10 July 2013. The right is reserved to retain any share certificates and any surplus application monies pending clearance of cheque(s).

If you apply by giving **electronic application instructions** to HKSCC, and your application is wholly or partially successful:

(a) your share certificate(s) 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 Wednesday, 10 July 2013 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees; and

(b) refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the initial price per Public Offer Share paid on application, in each case including the related brokerage fee of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 10 July 2013. No interest will be paid thereon.

If you apply using a WHITE or PINK Application Form:

If you have applied for 1,000,000 Public Offer Shares or more and/or 500,000 Employee Reserved Shares and you have elected on your **WHITE** or **PINK** Application Form to collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person, you may collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) from the Hong Kong Share Registrar, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 10 July 2013. If you are an individual, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your company chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar, Tricor Investor Services Limited. If you do not collect your refund cheque(s) and share certificate(s) within the time period specified for collection, they will be dispatched thereafter to you by ordinary post to the address as specified in your Application Form at your own risk.

If you have applied for 1,000,000 Public Offer Shares or above and/or 500,000 Employee Reserved Shares and have not indicated on your Application Forms that you will collect your share certificate(s) and/or refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Public Offer Shares or less than 500,000 Employee Reserved Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with the section headed ''Structure and Conditions of the Global Offering — Conditions of the Public Offer'' in this prospectus, or if your application is revoked or any allotment pursuant thereto has become void, your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in respect of the application monies or the appropriate parties thereof, together with the related brokerage fee, Stock Exchange trading fee, and SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Wednesday, 10 July 2013 by ordinary post and at your own risk.

If you apply using a YELLOW Application Form:

If you apply for Public Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificates 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 in your Application Form on Wednesday, 10 July 2013, or under contingent situation, 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), for 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 Public Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer on Wednesday, 10 July 2013 in the manner described in the section headed ''How to Apply for Public Offer Shares and Employee Reserved Shares — Publication of Results, Despatch/Collection of Share Certificates and Refunds of Application Monies — Publication of results'' above. You should check the results published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 10 July 2013 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (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 Public Offer Shares credited to your stock account.

If you apply for 1,000,000 Public Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your Application Forms that you will collect your refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Public Offer Shares and if your application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with the section headed ''Structure and Conditions of the Global Offering — Conditions of the Public Offer'' in this prospectus, or if your application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) (where applicable) in respect of the application monies or the appropriate portion thereof, together with the related brokerage fee, Stock

Exchange trading fee, SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Wednesday, 10 July 2013 by ordinary post and at your own risk.

If you apply by giving electronic application instructions to HKSCC via CCASS:

If you apply by giving **electronic application instructions** to HKSCC via CCASS, our Company will publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company shall include information relating to the beneficial owner, if supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner described in the section headed ''How to Apply for Public Offer Shares and Employee Reserved Shares — Publication of Results, Despatch/Collection of Share Certificates and Refunds of Application Monies — Publication of results'' above on Wednesday, 10 July 2013. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 10 July 2013 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's ''An Operating Guide for Investor Participants'' in effect from time to time) on Wednesday, 10 July 2013. Immediately following the credit of the Public Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

If you apply through HK eIPO White Form:

If you apply for 1,000,000 Public Offer Shares or more under the **HK eIPO White Form** service by applying online through the **HK eIPO White Form** Service Provider at designated website at **www.hkeipo.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, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 10 July 2013, or such

other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e- Auto Refund payment instructions/ refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the **HK eIPO White Form** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the **HK eIPO White Form** Service Provider on Wednesday, 10 July 2013 by ordinary post and at your own risk.

If you have applied through the **HK eIPO White Form** service by paying the application monies through a single bank account, e-Auto Refund payment instructions (if any) will be despatched to the application payment account on or before Wednesday, 10 July 2013.

If you have applied through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts, refund cheque(s) (if any) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider on Wednesday, 10 July 2013 by ordinary post and at your own risk.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED PUBLIC OFFER SHARES

You should note the following situations in which 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 submitting **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** services (**www.hkeipo.hk**), you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the expiration of the fifth day after the time of the opening of the application lists. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** services (**www.hkeipo.hk**) and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the expiration of the fifth day after the time of the opening of the application lists except by means of one of the procedures referred to in this prospectus. 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 your application or the application made by HKSCC Nominees on your behalf 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 the allocation of Public Offer Shares is void:

The allocation of Public Offer Shares to you or to HKSCC Nominees (if you give **electronic application instruction** to HKSCC or applying by a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing of the application lists.

(c) If you make applications under the Public Offer as well as the International Placing:

By filling in any of the **WHITE** or **YELLOW** Application Forms or giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service (**www.hkeipo.hk**) electronically, you agree not to apply for International Placing Shares under the International Placing. Reasonable steps will be taken to identify and reject applications under the Public Offer from investors who have received International Placing Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Public Offer Shares in the Public Offer.

(d) If our Company, the Sole Global Coordinator, the Sole Sponsor or their respective agents exercise their discretion:

Our Company, the Sole Global Coordinator, the Sole Sponsor or their respective agents have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

(e) If:

- your application is a multiple or a suspected multiple application;
- your Application Form is not completed correctly;
- 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 and/or received or will receive International Placing Shares under the International Placing;
- if you apply for more than 4,500,000 Public Offer Shares or 500,000 Employee Reserved Shares;
- our Company is of the view that by accepting your application, it would violate applicable securities laws, rules or regulations or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed; and
- the Public Offer Underwriting Agreement does not become unconditional or it is terminated in accordance with its terms.

Refund of application monies

If you do not receive any Public Offer Shares for any reason, our Company will refund your application monies, including related brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

If your application is accepted only in part, our Company will refund to you the appropriate portion of your application monies (including the related brokerage fee of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%) without interest.

If the Offer Price as finally determined is less than the initial price per Offer Share (excluding brokerage fee, SFC transaction levy, and Stock Exchange trading fee thereon) paid on application, our Company will refund to you the surplus application monies, together with the related brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

All such interest accrued prior to the date of dispatch of refund will be retained for our benefit.

In a contingency situation involving a substantial over-application, at the discretion of our Company and the Sole Global Coordinator, cheques for applications made on Application Forms for certain small denominations of Public Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) is expected to be made on Wednesday, 10 July 2013 in accordance with the various arrangements as described above.

Shares will be eligible for CCASS

Subject to the granting of listing of, and permission to deal in, the shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

Commencement of dealings in the Shares

- Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Thursday, 11 July 2013.

- The Shares will be traded in board lots of 2,000 Shares.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

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香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

28 June 2013

The Directors
S. Culture International Holdings Limited
RHB OSK Capital Hong Kong Limited

Dear Sirs,

We set out below our report on the financial information (the ''Financial Information'') relating to S. Culture International Holdings Limited (the ''Company'') and its subsidiaries (hereinafter collectively referred to as the ''Group'') for each of the three years ended 31 December 2012 (the ''Track Record Period'') for inclusion in the prospectus of the Company dated 28 June 2013 (the ''Prospectus'') in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'') (the ''Listing'').

The Company was incorporated and registered as an exempted company in the Cayman Islands under the Companies Law, Cap22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 17 December 2012. Through a group reorganisation as more fully explained in the section headed ''History, Reorganisation and Group Structure'' in the Prospectus (the ''Group Reorganisation''), the Company has since 25 January 2013 become the holding company of the Group.

Particulars of the subsidiaries indirectly held by the Company, unless otherwise specified, at the end of each reporting period and the date of this report are as follows:

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group as at 31 December 2010	2011	2012	Date of report	Principal activities
Advertiser's Media Agency Limited	Hong Kong 26 November 1996	Hong Kong	HK$10,000	100%	100%	100%	100%	Marketing and advertising of footwear products
Aiuti Company Limited (''Aiuti'')	Hong Kong 18 June 2004	N/A	HK$10,000	100%	100%	100%	— *(Note)*	Inactive
Cobblers Limited	Hong Kong 17 April 2000	Hong Kong	HK$10,000	100%	100%	100%	100%	Trading of footwear products
Cotteen Marketing Limited (''Cotteen Marketing'')	Hong Kong 26 November 1996	N/A	HK$10,000	100%	100%	100%	— *(Note)*	Inactive
Grand Asian Limited (''Grand Asian'')	Hong Kong 23 November 1995	Hong Kong	HK$1,000,000	100%	100%	100%	100%	Trading of footwear products
Grandasian Retails (BVI) Holdings Limited (''Grandasian Retail'')	British Virgin Islands (''BVI'') 13 December 2012	Hong Kong	US$1	N/A	N/A	100%	100%	Investment holding
Kong Tai Sundry Goods Company Limited (''Kong Tai Sundry Goods'')	Hong Kong 26 July 1974	Hong Kong/ Taiwan	HK$5,000,000	100%	100%	100%	100%	Trading of footwear products
Kong Tai Sundry Goods (BVI) Company Limited (''KTSG'')	BVI 13 December 2012	Hong Kong	US$1	N/A	N/A	100%	100%	Investment holding
KTS Properties Holdings Limited	BVI 13 December 2012	N/A	US$1	N/A	N/A	100%	100%	Inactive
Shoe Mart Company Limited	Hong Kong 18 January 2005	Hong Kong	HK$10,000	100%	100%	100%	100%	Trading of footwear products
Shoes Culture Company Limited	Macau 19 May 2004	Macau	MOP 25,000	100%	100%	100%	100%	Trading of footwear products
S. Culture Holdings (BVI) Limited (''S. Culture BVI'')*	BVI 18 December 2012	Hong Kong	US$2,000	N/A	N/A	100%	100%	Investment holding

* *Directly held by the Company*

Note: On 21 January 2013, Grand Asian disposed of the 100% equity interest in Aiuti and Cotteen Marketing to CN Fashion Limited (''CN Fashion''), which is 68.22% held by KTS International Holdings Inc. (''KTS International''), the Company's immediate holding company, for a total consideration of HK$41,000, resulting in nil gain or loss on disposal.

All of the above subsidiaries and the Company adopt 31 December as the financial year end date.

The statutory financial statements of the subsidiaries, other than those incorporated in the BVI, for the years ended 31 December 2010, 2011 and 2012 were prepared in accordance with the Hong Kong Financial Reporting Standards (''HKFRSs'') issued by the

Hong Kong Institute of Certified Public Accountants (the ''HKICPA'') and were audited by Lee, Sek, Chiu & Hui Certified Public Accountants, certified public accountants registered in Hong Kong.

No statutory audited financial statements have been prepared for the Company and its subsidiaries incorporated in the BVI as they were incorporated in jurisdictions where there are no statutory audit requirements. We have, however, reviewed all relevant transactions of the Company and its subsidiaries incorporated in the BVI since their respective date of incorporation to 31 December 2012 and carried out such procedures as we considered necessary for inclusion in the Financial Information.

For the purpose of this report, the directors of S. Culture BVI have prepared the consolidated financial statements of S. Culture BVI and its subsidiaries for the Track Record Period in accordance with HKFRSs issued by the HKICPA (the ''HKFRSs Financial Statements'') (together with the management accounts of the Company for the period from date of incorporation to 31 December 2012 are hereinafter referred to the ''Underlying Financial Statements''). We have carried out independent audit on the HKFRSs Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 ''Prospectuses and the reporting accountant'' as recommended by the HKICPA.

The Financial Information for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 to the Financial Information. No adjustment was considered necessary to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of those companies who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 to the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2010, 31 December 2011 and 31 December 2012 and of the Company as at 31 December 2012 and of the combined profits and cash flows of the Group for the Track Record Period.

(A) FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

		Year ended 31 December		
		2010	2011	2012
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	7	365,846	472,443	505,289
Cost of goods sold		(148,508)	(175,910)	(178,326)
Gross profit		217,338	296,533	326,963
Other income	8	446	378	626
Other (losses) gains	9	(977)	530	414
Selling and distribution costs		(111,056)	(152,553)	(188,144)
Administrative expenses		(82,019)	(105,631)	(104,880)
Finance costs	10	(1,508)	(1,666)	(1,747)
Listing expenses		—	—	(3,110)
Profit before taxation	11	22,224	37,591	30,122
Taxation	13	(4,139)	(6,089)	(5,043)
Profit for the year		18,085	31,502	25,079
Other comprehensive income (expense)				
Exchange differences arising on translation		298	(602)	465
Total comprehensive income for the year		18,383	30,900	25,544
Profit for the year attributable to owners of the Company		18,085	31,502	25,079
Total comprehensive income attributable to owners of the Company		18,383	30,900	25,544

Statements of Financial Position

	NOTES	THE GROUP As at 31 December 2010 HK$'000	2011 HK$'000	2012 HK$'000	THE COMPANY As at 31 December 2012 HK$'000
Non-current assets					
Property, plant and equipment	16	43,071	49,718	51,403	—
Deferred tax assets	17	3,654	3,942	4,074	—
Rental deposits		8,101	18,224	16,625	—
		54,826	71,884	72,102	—
Current assets					
Inventories	18	90,537	94,517	125,852	—
Trade and other receivables	19	54,572	58,684	67,013	—
Amount due from immediate holding company	20	12,017	3,620	—	—
Amounts due from related companies	21	9,513	3,945	—	—
Amount due from a related party	25	—	527	1,630	—
Taxation recoverable		30	—	—	—
Bank balances and cash	22	19,471	32,448	28,028	—
		186,140	193,741	222,523	—
Current liabilities					
Trade and other payables	23	57,596	49,901	34,924	—
Amount due to immediate holding company	20	—	—	4,580	—
Amounts due to related companies	24	13,222	8,837	—	—
Amounts due to related parties	25	11,000	11,000	11,000	—
Taxation payable		3,169	4,147	1,392	—
Bank borrowings — due within one year	26	36,845	51,612	77,697	—
Obligations under finance leases — due within one year	27	133	—	—	—
		121,965	125,497	129,593	—

	NOTES	THE GROUP As at 31 December 2010 HK$'000	2011 HK$'000	2012 HK$'000	THE COMPANY As at 31 December 2012 HK$'000
Net current assets		64,175	68,244	92,930	—
Total assets less current liabilities		119,001	140,128	165,032	—
Non-current liabilities					
Bank borrowings — due after one year	26	17,968	16,000	15,360	—
Obligations under finance leases — due after one year	27	20	—	—	—
Deferred tax liabilities	17	54	—	—	—
		18,042	16,000	15,360	—
Net assets		100,959	124,128	149,672	—
Capital and reserves					
Share capital	28	6,000	6,000	16	—
Reserves		94,959	118,128	149,656	—
Total equity		100,959	124,128	149,672	—

Combined Statements of Changes In Equity

	Attributable to owners of the Company					
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Special reserve** *HK$'000 (Note)*	**Translation reserve** *HK$'000*	**Accumulated profits** *HK$'000*	**Total** *HK$'000*
At 1 January 2010	6,000	9,800	—	—	68,190	83,990
Profit for the year	—	—	—	—	18,085	18,085
Exchange differences arising on translation and other comprehensive income for the year	—	—	—	298	—	298
Total comprehensive income for the year	—	—	—	298	18,085	18,383
Dividends paid	—	—	—	—	(1,414)	(1,414)
At 31 December 2010	6,000	9,800	—	298	84,861	100,959
Profit for the year	—	—	—	—	31,502	31,502
Exchange differences arising on translation and other comprehensive expense for the year	—	—	—	(602)	—	(602)
Total comprehensive (expense) income for the year	—	—	—	(602)	31,502	30,900
Dividends paid	—	—	—	—	(7,731)	(7,731)
At 31 December 2011	6,000	9,800	—	(304)	108,632	124,128
Profit for the year	—	—	—	—	25,079	25,079
Exchange differences arising on translation and other comprehensive income for the year	—	—	—	465	—	465
Total comprehensive income for the year	—	—	—	465	25,079	25,544
Issue of shares on group reorganisation	16	—	(16)	—	—	—
Elimination on group reorganisation	(6,000)	(9,800)	15,800	—	—	—
At 31 December 2012	16	—	15,784	161	133,711	149,672

Note: The special reserve of the Group represents the difference between the nominal amount of the share capital and share premium of Kong Tai Sundry Goods and Grand Asian and the nominal amount of share capital of S. Culture BVI of HK$16,000 exchanged pursuant to the Group Reorganisation.

Combined Statements of Cash Flows

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Operating activities			
Profit before taxation	22,224	37,591	30,122
Adjustments for:			
Interest income	(1)	(2)	(15)
Interest expenses	1,508	1,666	1,747
Allowance for doubtful debts	91	21	—
Allowance for (reversal of allowance for) inventories	1,848	5,180	(4,635)
Depreciation of property, plant and equipment	5,997	7,530	10,760
Loss (gain) on disposal of property, plant and equipment	370	(427)	1
Operating cash flows before movements in working capital	32,037	51,559	37,980
Decrease (increase) in inventories	3,696	(9,160)	(26,700)
Increase in trade and other receivables	(11,436)	(6,836)	(2,538)
Increase in rental deposits	(2,609)	(7,420)	(4,192)
Increase (decrease) in trade and other payables	30,020	(9,863)	(12,477)
Cash generated from (used in) operations	51,708	18,280	(7,927)
Hong Kong Profits Tax paid	(1,945)	(4,985)	(7,363)
Tax paid in other jurisdictions	—	(421)	(567)
Net cash from (used in) operating activities	49,763	12,874	(15,857)
Investing activities			
Repayments from immediate holding company	499	8,397	3,620
Proceeds from disposal of property, plant and equipment	149	782	—
Interest received	1	2	15
Purchase of property, plant and equipment	(31,057)	(14,745)	(12,196)
Advances to related companies	(6,313)	—	—
Advances to immediate holding company	(3,993)	—	—
Repayments from related companies	—	5,568	3,945
Advance to a related party	—	(527)	(1,103)
Net cash used in investing activities	(40,714)	(523)	(5,719)

	Year ended 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Financing activities			
New bank loans raised	37,206	43,196	74,372
Advance from related parties	5,000	—	—
Advances from related companies	2,818	—	—
Repayments of bank borrowings	(41,129)	(30,397)	(48,927)
Repayments to immediate holding company	(1,790)	—	—
Interest paid	(1,486)	(1,661)	(1,747)
Repayments of obligations under finance leases	(170)	(153)	—
Finance lease charges paid	(22)	(5)	—
Dividends paid	—	(5,563)	(2,500)
Repayments to related companies	—	(4,385)	(8,837)
Advance from immediate holding company	—	—	4,580
Net cash from financing activities	427	1,032	16,941
Net increase (decrease) in cash and cash equivalents	9,476	13,383	(4,635)
Cash and cash equivalents at beginning of the year	9,788	19,471	32,448
Effect of foreign exchange rate changes	207	(406)	215
Cash and cash equivalents at end of the year, representing bank balances and cash	19,471	32,448	28,028

Notes to Financial Information

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 17 December 2012 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The addresses of the registered office and principal place of business of the Company are set out in the section headed ''Corporate Information'' to the Prospectus.

The companies now comprising the Group underwent a series of reorganisation in the preparation of the Listing. Before the completion of the Group Reorganisation, Kong Tai Sundry Goods and Grand Asian were wholly and directly owned by CN Fashion. To streamline the shareholding in the group entities, on 28 December 2012, KTSG and Grandasian Retail acquired the entire issued share capital of Kong Tai Sundry Goods and Grand Asian (the ''First Transfer'') in consideration of the allotment of 2,000 shares of US$1 each to S. Culture BVI and then S. Culture BVI allotted and issued 2,000 shares of US$1 each to CN Fashion. To further effect the Group Reorganisation as set out in section headed ''History, Reorganisation and Group Structure'' in the Prospectus, on 25 January 2013, the Company acquired the entire issued share capital of S. Culture BVI from CN Fashion (the ''Second Transfer'') in consideration of the allotment of 9,999 shares of HK$0.01 each to CN Fashion. Upon completion of the Second Transfer, the Company became the holding company of the Group as at 25 January 2013. The shares in the Company held by CN Fashion were then distributed in specie to its shareholders on 25 January 2013 and KTS International, a major shareholder of CN Fashion, became the immediate holding company of the Company on the same date.

The Group resulting from the Group Reorganisation, which involves interspersing the Company and various investment holding companies between Kong Tai Sundry Goods, Grand Asian and the shareholders of CN Fashion, is regarded as a continuing entity. Accordingly, the combined statements of comprehensive income and cash flows for the Track Record Period have been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Group Reorganisation had been in existence throughout the Track Record Period, or since their respective dates of incorporation where this is a shorter period. The combined statements of financial position of the Group as at 31 December 2010, 31 December 2011 and 31 December 2012 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

The Financial Information is presented in Hong Kong dollars (''HK$''), which is the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised Hong Kong Accounting Standards (''HKASs''), HKFRSs, amendments and interpretations (''INTs'') (hereinafter collectively referred to as the ''new and revised HKFRSs'') which are effective for the Group's accounting periods beginning on 1 January 2012. For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has adopted all these new and revised HKFRSs consistently throughout the Track Record Period.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 — 2011 cycle[1]
Amendments to HKFRS 1	Government loans[1]
Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[4]
HKFRS 9	Financial instruments[2]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement1
Amendments to HKAS 1	Presentation of items of other comprehensive income[3]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[4]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[4]
HK(IFRIC) — INT 20	Stripping costs in the production phase of a surface mine[1]
HK(IFRIC) — INT 21	Levies[4]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2015.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2014.

Amendments to HKAS 32 ''Offsetting financial assets and financial liabilities'' and amendments to HKFRS 7 ''Disclosures — Offsetting financial assets and financial liabilities''

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of ''currently has a legally enforceable right of set-off'' and ''simultaneous realisation and settlement''.

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of amendments to HKAS 32 and amendments to HKFRS 7 by the Group will not have significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities based on the Group's financial assets and financial liabilities reported at the end of the Track Record Period.

HKFRS 9 ''Financial instruments''

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 ''Financial instruments: Recognition and measurement'' to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that the application of HKFRS 9 for annual period beginning 1 January 2015 will not have significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities based on the Group's financial instruments reported at the end of the Track Record Period.

Amendments to HKAS 1 ''Presentation of items of other comprehensive income''

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods. This standard will be adopted for annual period beginning 1 January 2013.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, and in accordance with the following accounting policies which conform to HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of combination

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the combined statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, incomes and expenses are eliminated on combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold or services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method or reducing balance method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as ''prepaid lease payments'' in the statements of financial position and is released over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are mainly classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits, amount due from immediate holding company, amounts due from related companies, amount due from a related party and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the general credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Financial liabilities

Financial liabilities including trade and other payables, amount due to immediate holding company, amounts due to related companies, amounts due to related parties and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready

for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to government-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the combined statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment loss recognised on trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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 been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2010, 31 December 2011 and 31 December 2012, the carrying amounts of trade receivables are HK$39,521,000, HK$49,933,000 and HK$49,441,000 (net of allowance for doubtful debts of HK$97,000, HK$113,000 and HK$119,000), respectively.

Estimated impairment loss of inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and marketability of the inventories. Where the subsequent selling prices decline or there is increase in costs of completion and those necessary to make the sales, additional allowance may arise.

The carrying amounts of inventories at 31 December 2010, 31 December 2011 and 31 December 2012 are HK$90,537,000, HK$94,517,000 and HK$125,852,000 (net of allowance for inventories of HK$1,848,000, HK$7,028,000 and HK$2,393,000, respectively).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in note 26, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	82,294	91,731	82,358
Financial liabilities			
Amortised cost	107,274	100,433	121,549

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from (to) immediate holding company, amounts due from related companies, amount due from a related party, bank balances and cash, trade and other payables, amounts due to related companies, amounts due to related parties, bank borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency Risk

The carrying amount of the foreign currency denominated monetary assets of the group entities are mainly bank balances and cash as disclosed in note 22. The directors of the Company considered that the Group's exposure on foreign currency risk is insignificant, accordingly no sensitivity analysis has been presented. The management continuously monitors the foreign exchange exposure and will consider hedging foreign currency risk should the need arise.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances, amounts due to related parties and bank borrowings (see notes 22, 25 and 26 for details of these balances). The Group's exposure to cash flow interest rate risk is mainly concentrated on the fluctuation of Prime lending rate, benchmark interest rate of Central Bank of Taiwan and Hong Kong Interbank Offered Rate. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for bank borrowings and amounts due to related parties. The analysis is prepared assuming that the amount of liabilities outstanding at the end of each reporting period were outstanding for the whole year. 50 basis point increase or decrease represent the management's assessment of the reasonably possible change in interest rates of bank borrowings and amounts due to related parties. No sensitivity analysis is presented for bank balances as the directors of the Company considered the Group's exposure to cash flow interest rate risk is not material.

If interest rates on bank borrowings and amounts due to related parties had been 50 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 December 2010, 2011 and 2012 is as follows:

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
(Decrease) increase in profit for the year			
— as a result of increase in interest rate	(274)	(327)	(424)
— as a result of decrease in interest rate	274	327	434

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposures do not reflect the exposures during the year.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2010, 31 December 2011 and 31 December 2012 in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties.

The Group has concentration of credit risk in relation to amount due from immediate holding company of HK$12,017,000 and HK$3,620,000 and amounts due from related companies of HK$9,513,000 and HK$3,945,000 as at 31 December 2010 and 31 December 2011, with details set out in notes 20 and 21, respectively. The management considers the credit risk is not significant as the counterparties are of sound financial position. These balances were fully repaid during the year ended 31 December 2012.

The credit risk for bank deposits is considered minimal as such amounts are placed in banks with high credit ratings.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity date for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate at the end of each reporting period.

Liquidity and interest risk tables

	Weighted average interest rate	On demand or less than 1 year	1 to 2 years	2–5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2010							
Trade and other payables	N/A	28,086	—	—	—	28,086	28,086
Amounts due to related companies	N/A	13,222	—	—	—	13,222	13,222
Amounts due to related parties	5.00	11,000	—	—	—	11,000	11,000
Bank borrowings — variable rate	1.74	37,145	1,571	4,117	14,847	57,680	54,813
Obligations under finance leases	4.25	139	21	—	—	160	153
		89,592	1,592	4,117	14,847	110,148	107,274
At 31 December 2011							
Trade and other payables	N/A	12,984	—	—	—	12,984	12,984
Amounts due to related companies	N/A	8,837	—	—	—	8,837	8,837
Amounts due to related parties	5.00	11,000	—	—	—	11,000	11,000
Bank borrowings — variable rate	1.89	52,842	1,487	3,929	12,637	70,895	67,612
		85,663	1,487	3,929	12,637	103,716	100,433
At 31 December 2012							
Trade and other payables	N/A	12,912	—	—	—	12,912	12,912
Amount due to immediate holding company	N/A	4,580	—	—	—	4,580	4,580
Amounts due to related parties	5.00	11,000	—	—	—	11,000	11,000
Bank borrowings — variable rate	2.26	79,770	1,560	4,096	11,693	97,119	93,057
		108,262	1,560	4,096	11,693	125,611	121,549

Bank loans with a repayment on demand clause are included in the ''on demand or less than 1 year'' time band in the above maturity analysis. As at 31 December 2010, 31 December 2011 and 31 December 2012, the aggregate principal amounts of these bank loans amounted to HK$10,883,000, HK$3,500,000 and HK$1,500,000, respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements and the principal and interest cash outflows according to the scheduled repayment dates are set out as follows:

	Weighted average interest rate	On demand or less than 1 year	1–2 years	2–5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank borrowings							
At 31 December 2010	2.37	258	6,308	4,950	—	11,516	10,883
At 31 December 2011	2.47	86	2,086	1,537	—	3,709	3,500
At 31 December 2012	2.47	37	1,537	—	—	1,574	1,500

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

7. REVENUE AND SEGMENT INFORMATION

The Group's operating activities are attributable to operating segments focusing on retail sales and wholesale of footwear products. These operating segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, that are regularly reviewed by the executive directors of the Company, the chief operating decision maker of the Group. The executive directors of the Company regularly review revenue and results analysis by (i) retail sales and (ii) wholesale. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the executive directors of the Company.

- Retail sales: Retail sales channel refers to sales at the self-operated concession counters in department stores and self-operated retail stores.

- Wholesale: Wholesale refers to the sales to wholesale customers who resell the products to end-user consumers, typically at retail stores operated by wholesale customers.

The information of operating and reportable segments is as follows:

Segment revenue and results

For the year ended 31 December 2010

	Retail sales	Wholesale	Segment total	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	305,154	60,692	365,846	—	365,846
Inter-segment sales	—	125,718	125,718	(125,718)	—
Segment revenue	305,154	186,410	491,564	(125,718)	365,846
Segment results	15,189	11,754	26,943	—	26,943
Unallocated income					1
Unallocated expenses					(3,212)
Finance costs					(1,508)
Profit before taxation					22,224

For the year ended 31 December 2011

	Retail sales	Wholesale	Segment total	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	403,638	68,805	472,443	—	472,443
Inter-segment sales	—	175,752	175,752	(175,752)	—
Segment revenue	403,638	244,557	648,195	(175,752)	472,443
Segment results	27,777	18,484	46,261	—	46,261
Unallocated income					2
Unallocated expenses					(7,006)
Finance costs					(1,666)
Profit before taxation					37,591

For the year ended 31 December 2012

	Retail sales	Wholesale	Segment total	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	441,968	63,321	505,289	—	505,289
Inter-segment sales	—	195,025	195,025	(195,025)	—
Segment revenue	441,968	258,346	700,314	(195,025)	505,289
Segment results	8,425	21,001	29,426	—	29,426
Unallocated income					7,092
Unallocated expenses					(4,649)
Finance costs					(1,747)
Profit before taxation					30,122

Inter-segment sales are charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represents the profit earned from each segment without allocation of central administration costs allowance for (reversal of allowance for) inventories, write-back of other payables, listing expenses, interest income and finance costs. This is the measure reported to the executive directors of the Company for the purpose of resource allocation and performance assessment.

Other segment information

For the year ended 31 December 2010

	Retail sales	Wholesale	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in measure of segment results:				
Depreciation	3,887	2,110	—	5,997
Loss on disposal of property, plant and equipment	40	330	—	370
Amounts regularly provided to the chief operating decision makers of the Group but not included in the measure of segment results:				
Allowance for inventories *(Note)*	—	—	1,848	1,848

For the year ended 31 December 2011

	Retail sales	Wholesale	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in measure of segment results:				
Depreciation	4,867	2,663	—	7,530
Gain on disposal of property, plant and equipment	—	(427)	—	(427)
Amounts regularly provided to the chief operating decision makers of the Group but not included in the measure of segment results:				
Allowance for inventories *(Note)*	—	—	5,180	5,180

For the year ended 31 December 2012

	Retail sales	Wholesale	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in measure of segment results:				
Depreciation	7,765	2,995	—	10,760
Loss on disposal of property, plant and equipment	1	—	—	1
Amounts regularly provided to the chief operating decision makers of the Group but not included in the measure of segment results:				
Listing expenses	—	—	3,110	3,110
Reversal of allowance for inventories *(Note)*	—	—	(4,635)	(4,635)

Note: Allowance for (reversal of allowance for) inventories were unallocated as the directors of the Company considered that these amounts are attributable to the Group as a whole.

Revenue by major brands

The following is an analysis of the Group's revenue by brands:

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Clarks	295,993	400,853	404,434
Josef Seibel	21,391	43,452	67,164
Flexx	—	5,954	9,558
Yokono and Yokono K	—	—	1,382
Others	48,462	22,184	22,751
	365,846	472,443	505,289

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the respective group entities' operations:

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	330,655	369,834	393,516
Taiwan	24,180	88,267	96,989
Macau	11,011	14,342	14,784
	365,846	472,443	505,289

Information about the Group's non-current assets (excluding deferred tax assets) is presented based on the location of the assets:

	As at 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	26,151	36,750	38,701
Taiwan	24,150	29,742	29,133
Macau	871	1,450	194
	51,172	67,942	68,028

Information about major customers

No individual customer accounted for over 10% of the Group's total revenue during the Track Record Period.

8. OTHER INCOME

	Year ended 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Commission income	259	125	176
Interest income	1	2	15
Management fee income	126	126	226
Others	60	125	209
	446	378	626

9. OTHER (LOSSES) GAINS

	Year ended 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Allowance for doubtful debts	(91)	(21)	—
(Loss) gain on disposal of property, plant and equipment	(370)	427	(1)
Net exchange (loss) gain	(516)	124	415
	(977)	530	414

10. FINANCE COSTS

	Year ended 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Interest on:			
Amounts due to related parties	469	550	550
Bank borrowings wholly repayable:			
— within five years	998	646	892
— after five years	19	465	305
Finance leases obligations	22	5	—
	1,508	1,666	1,747

11. PROFIT BEFORE TAXATION

	Year ended 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):			
Directors' remuneration *(Note 12)*	8,590	16,463	7,214
Other staff costs	50,276	65,793	71,742
Retirement benefit schemes contributions for other staff	2,032	2,945	3,270
Total staff costs	60,898	85,201	82,226
Auditor's remuneration	279	337	333
Allowance for (reversal of allowance for) inventories (included in costs of goods sold) *(Note a)*	1,848	5,180	(4,635)
Cost of inventories recognised as expenses	148,508	175,910	178,326
Depreciation of property, plant and equipment			
— owned assets	5,925	7,530	10,760
— leased assets	72	—	—
	5,997	7,530	10,760
Operating lease rentals in respect of			
— rented premises (minimum lease payments)	788	699	833
— retail stores (included in selling and distribution costs)			
— minimum lease payments	60,345	75,244	106,369
— contingent rent *(note b)*	3,128	2,757	2,069
	63,473	78,001	108,438
— department store counters (including concessionaire commission) (included in selling and distribution costs)			
— minimum lease payments	5,702	3,698	8,782
— contingent rent *(note b)*	22,670	39,284	41,139
	28,372	42,982	49,921
	92,633	121,682	159,192

Notes:

(a) During the year ended 31 December 2012, certain obsolete inventories were sold to customers at original cost or above and resulted in a reversal of allowance amounting to HK$4,635,000.

(b) The contingent rent refers to the operating lease rentals based on pre-determined percentages to realised sales less basic rentals of the respective leases.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	Fees	Salaries and allowances	Performance related incentive payments	Retirement benefit schemes contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2010					
Mr. Chu Siu Ming	—	2,590	1,310	77	3,977
Mr. Chu Chun Ho, Dominic	225	295	286	14	820
Mr. Chu Chun Wah, Haeta	225	1,473	1,152	43	2,893
Mr. Chong Hot Hoi	450	—	—	—	450
Mr. Chong Hok Hei, Charles	225	—	—	—	225
Mr. Yu Fuk Lun	225	—	—	—	225
	1,350	4,358	2,748	134	8,590
For the year ended 31 December 2011					
Mr. Chu Siu Ming	—	2,923	4,711	84	7,718
Mr. Chu Chun Ho, Dominic	450	1,664	606	77	2,797
Mr. Chu Chun Wah, Haeta	450	1,642	2,010	46	4,148
Mr. Chong Hot Hoi	900	—	—	—	900
Mr. Chong Hok Hei, Charles	450	—	—	—	450
Mr. Yu Fuk Lun	450	—	—	—	450
	2,700	6,229	7,327	207	16,463
For the year ended 31 December 2012					
Mr. Chu Siu Ming	—	3,334	—	93	3,427
Mr. Chu Chun Ho, Dominic	—	1,766	—	82	1,848
Mr. Chu Chun Wah, Haeta	—	1,887	—	52	1,939
Mr. Chong Hot Hoi	—	—	—	—	—
Mr. Chong Hok Hei, Charles	—	—	—	—	—
Mr. Yu Fuk Lun	—	—	—	—	—
	—	6,987	—	227	7,214

No emoluments was paid or payable to the independent non-executive directors, namely Mr. Wan Kam To, Mr. Yau Tat Wang, Dennis and Mr. Lam Man Tin, during the Track Record Period. The independent non-executive directors were appointed by the Company on 1 May 2013.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, 3, 3 and 3 were directors of the Company for the years ended 31 December 2010, 2011 and 2012, respectively, whose emoluments are included in the disclosures above. The emoluments of the remaining 2, 2 and 2 individuals were as follows:

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Employees			
— salaries and allowances	2,011	2,580	1,815
— performance related incentive payments	585	994	—
— retirement benefit schemes contributions	72	77	84
	2,668	3,651	1,899

Their emoluments were within the following bands:

	Number of employees		
	2010	**2011**	**2012**
Up to HK$1,000,000	—	—	1
HK$1,000,001 to HK$1,500,000	2	—	1
HK$1,500,001 to HK$2,000,000	—	2	—

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees), as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Track Record Period.

13. TAXATION

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Current tax			
Hong Kong	4,303	5,721	4,811
Taiwan income tax	266	597	204
Macau Complementary Tax	—	118	160
	4,569	6,436	5,175
Overprovision in prior years			
Hong Kong	—	(5)	—
	—	(5)	—
Deferred taxation *(Note 17)*	(430)	(342)	(132)
	4,139	6,089	5,043

The Company was incorporated in the Cayman Islands, together with those group entities incorporated in the BVI are not subject to any income tax.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the Track Record Period.

Taiwan income tax is calculated at 17% on the estimated assessable profit of a branch of Kong Tai Sundry Goods in Taiwan for the Track Record Period.

Macau Complementary Tax is calculated at progressive rates ranging from 9% to 12% on the estimated assessable profit for the Track Record Period.

The taxation charge for the Track Record Period can be reconciled to the profit before taxation per the combined statements of comprehensive income as follows:

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	22,224	37,591	30,122
Tax at Hong Kong Profits Tax rate of 16.5%	3,667	6,203	4,970
Tax effect of expenses not deductible for tax purposes	239	197	560
Tax effect of income not taxable for tax purposes	—	(160)	(342)
Tax effect of tax losses not recognised	—	—	213
Effect of different tax rate of subsidiaries operating in other jurisdictions	9	15	4
Overprovision in prior years	—	(5)	—
Others	224	(161)	(362)
Taxation charge	4,139	6,089	5,043

14. DIVIDENDS

No dividend has been declared or paid by the Company since its date of incorporation. However, during the Track Record Period, Grand Asian and Kong Tai Sundry Goods made the following distributions to CN Fashion:

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Dividends declared to CN Fashion during the Track Record Period and dividends attributable to owners of the Company	1,414	7,731	—

The rate of dividends and the number of shares ranking for the above dividends are not presented as such information is not considered meaningful having regard to the purpose of this report.

15. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful with regard to the Group Reorganisation and the results for the Track Record Period that is on a combined basis as set out in note 1.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP					
COST					
At 1 January 2010	19,111	12,922	3,518	1,733	37,284
Exchange adjustments	—	122	13	—	135
Additions	21,477	6,658	1,519	1,403	31,057
Disposals	—	(1,469)	(1,063)	(396)	(2,928)
At 31 December 2010	40,588	18,233	3,987	2,740	65,548
Exchange adjustments	—	(234)	(37)	(10)	(281)
Additions	—	11,468	1,869	1,408	14,745
Disposals	—	(2,280)	(376)	(1,337)	(3,993)
At 31 December 2011	40,588	27,187	5,443	2,801	76,019
Exchange adjustments	—	281	46	9	336
Additions	—	10,436	1,760	—	12,196
Disposals	—	(2,370)	(216)	—	(2,586)
At 31 December 2012	40,588	35,534	7,033	2,810	85,965
DEPRECIATION					
At 1 January 2010	5,621	10,253	1,790	1,203	18,867
Exchange adjustments	—	21	1	—	22
Provided for the year	512	3,520	1,466	499	5,997
Eliminated on disposals	—	(1,404)	(632)	(373)	(2,409)
At 31 December 2010	6,133	12,390	2,625	1,329	22,477
Exchange adjustments	—	(62)	(5)	(1)	(68)
Provided for the year	660	5,005	1,159	706	7,530
Eliminated on disposals	—	(2,280)	(376)	(982)	(3,638)
At 31 December 2011	6,793	15,053	3,403	1,052	26,301
Exchange adjustments	—	77	7	2	86
Provided for the year	660	8,209	1,385	506	10,760
Eliminated on disposals	—	(2,370)	(215)	—	(2,585)
At 31 December 2012	7,453	20,969	4,580	1,560	34,562
CARRYING VALUES					
At 31 December 2010	34,455	5,843	1,362	1,411	43,071
At 31 December 2011	33,795	12,134	2,040	1,749	49,718
At 31 December 2012	33,135	14,565	2,453	1,250	51,403

The Group's leasehold land and buildings are situated on land:

	As at 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
In Hong Kong:			
Long lease	826	814	801
Medium-term lease	12,301	11,950	11,600
In Taiwan:			
Long lease	21,328	21,031	20,734
	34,455	33,795	33,135

Depreciation is provided to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method or reducing balance method at the following rates per annum:

Leasehold land	Over the term of lease on straight-line method
Buildings	Over the shorter of the term of lease or 2% on straight-line method
Leasehold improvements	Over the shorter of the term of the lease or 25%–$33^1/_3$% on straight-line method
Furniture, fixtures and equipment	$33^1/_3$%–50% on straight-line method
Motor vehicles	30% on reducing balance method

As at 31 December 2010, the carrying values of motor vehicles included an amount of HK$169,000 in respect of assets held under finance leases. No property, plant and equipment were held under finance leases as at 31 December 2011 and 31 December 2012.

17. DEFERRED TAXATION

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the Track Record Period:

	Accelerated tax depreciation	Others	Total
	HK$'000	*HK$'000*	*HK$'000*
THE GROUP			
At 1 January 2010	3,154	19	3,173
Credit (charge) to profit or loss *(Note 13)*	480	(50)	430
Exchange adjustments	—	(3)	(3)
At 31 December 2010	3,634	(34)	3,600
Credit to profit or loss *(Note 13)*	288	54	342
At 31 December 2011	3,922	20	3,942
Credit to profit or loss *(Note 13)*	110	22	132
At 31 December 2012	4,032	42	4,074

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax assets	3,654	3,942	4,074
Deferred tax liabilities	(54)	—	—
	3,600	3,942	4,074

As at 31 December 2010, 31 December 2011 and 31 December 2012, the Group has unutilised tax losses of HK$117,000, HK$117,000 and HK$1,408,000 available for offset against future profits. A deferred tax asset has been recognised in respect of HK$117,000, HK$117,000 and HK$117,000, respectively. No deferred tax asset has been recognised in respect of nil, nil and HK$1,291,000 due to unpredictability of future profit streams as at 31 December 2010, 31 December 2011 and 31 December 2012, respectively. All the unrecognised tax loss may be carried forward indefinitely.

18. INVENTORIES

	As at 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
THE GROUP			
Finished goods	90,537	94,517	125,852

19. TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
THE GROUP			
Trade receivables	29,278	35,861	36,293
Bills receivables	10,340	14,185	13,267
Less: Allowance for doubtful debts	(97)	(113)	(119)
	39,521	49,933	49,441
Deposits	9,653	6,772	12,823
Prepayments	4,287	1,787	2,691
Other receivables	1,111	192	2,058
	15,051	8,751	17,572
Total trade and other receivables	54,572	58,684	67,013

Retail sales are made at retail shops and concession counters in department stores. The department stores collect payments from the ultimate customers and then repay the balance after deducting the concessionaire commission to the Group. The credit period granted to department stores range from 30–60 days. Sales made at retail shops are settled by cash or credit cards. For wholesale, the Group allows a credit period range from 30–60 days to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of each reporting period.

	As at 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	21,396	28,955	40,599
31 to 60 days	12,355	13,526	2,945
61 to 90 days	3,674	3,687	3,893
Over 90 days	2,096	3,765	2,004
	39,521	49,933	49,441

For sales by wholesale, before accepting any new customer, the Group will check the historical default records of these customers through external source.

The management of the Group closely monitors the credit quality of trade receivables and considers the debtors that are neither past due nor impaired to be of a good credit quality. Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$5,770,000, HK$7,452,000 and HK$5,897,000 as at 31 December 2010, 31 December 2011 and 31 December 2012, respectively which are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables based on the invoice date which are past due but not impaired at the end of each reporting period.

	As at 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
61 to 90 days	3,674	3,687	3,893
Over 90 days	2,096	3,765	2,004
	5,770	7,452	5,897

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there were no history of default.

Based on the historical experience of the Group, trade receivables that are past due but not impaired are generally recoverable.

Movement in the allowance for doubtful debts

	As at 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Balance at beginning of the year	—	(97)	(113)
Exchange adjustments	(6)	5	(6)
Impairment loss recognised on receivables	(91)	(21)	—
Balance at end of the year	(97)	(113)	(119)

Included in the allowance for doubtful debts are individually impaired trade receivables relating to wholesale customers with an aggregate balance of HK$97,000, HK$113,000 and HK$119,000 as at 31 December 2010, 31 December 2011 and 31 December 2012, respectively. Full provision has been made for individual trade receivables aged over one year with no subsequent settlements as historical evidence shows that such amounts are not recoverable.

There are no trade and other receivables denominated in currencies other than functional currencies of the respective group entities which they relate.

The followings are the financial assets of the Group transferred to banks which did not qualify for derecognition in their entirety, at the end of each reporting period:

	Bills receivables discounted to banks with full recourse Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount of transferred assets	10,340	14,185	13,267
Carrying amount of associated liabilities	10,340	14,185	13,267
Net position	—	—	—

Under the above arrangements, the Group transferred the contractual rights to receive cash flows from the bills receivables to the respective banks by discounting the bills receivables for cash on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the bills receivables. These financial assets are carried at amortised cost in the Financial Information and associated liabilities have been recognised and included in liabilities as bank loans related to bills discounted with recourse.

20. AMOUNT DUE FROM (TO) IMMEDIATE HOLDING COMPANY

THE GROUP

The balance representing amount due from (to) immediate holding company, KTS International, is of non-trade nature, unsecured, interest-free and repayable on demand. The amount will be fully settled by part of net proceeds from the Listing.

21. AMOUNTS DUE FROM RELATED COMPANIES

THE GROUP

Particulars of the amounts due from related companies are disclosed as follows:

	As at 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Maiden Fashion Limited (''Maiden Fashion'') *(Note a)*	20	20	—
Oasis Pacific Rim Limited (''Oasis Pacific'') *(Note a)*	3,875	3,920	—
S.E. Masin Oversea Incorporation SDN. BHD. (''S.E. Masin'') *(Note b)*	5	5	—
United Overseas Sundry Goods Co., Ltd. (''United Overseas Sundry Goods'') *(Note a)*	5,613	—	—
	9,513	3,945	—

Notes:

(a) Maiden Fashion, Oasis Pacific and United Overseas Sundry Goods are wholly-owned subsidiaries of CN Fashion.

(b) S.E. Masin is a company wholly-owned by Mr. Chu Siu Ming, who is a director of the Company and a substantial shareholder of KTS International.

Maximum amounts outstanding during the Track Record Period are as follows:

	Year ended 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Maiden Fashion	20	20	20
Oasis Pacific	3,875	3,920	3,920
S.E. Masin	5	5	5
United Overseas Sundry Goods	5,613	5,613	—

The amounts were of non-trade nature, unsecured, interest-free and repayable on demand. The amounts were fully settled during the Track Record Period.

22. BANK BALANCES AND CASH

THE GROUP

Bank balances carry interest at prevailing market rates of 0.01% to 0.50%, 0.01% to 0.88% and 0.01% to 0.75% per annum as at 31 December 2010, 31 December 2011 and 31 December 2012, respectively.

Included in bank balances are the following amounts denominated in currencies other than functional currencies of the respective group entities which they relate:

	As at 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
HK$	2,403	698	700
USD	90	—	50
MOP	87	87	87

23. TRADE AND OTHER PAYABLES

	As at 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
THE GROUP			
Trade payables *(Note a)*	23,866	9,517	6,892
Deposits received from customers	747	5	9
Accrued expenses	26,359	32,340	19,931
Other payables	4,220	3,467	6,020
Dividend payable *(Note b)*	2,404	4,572	2,072
Total trade and other payables	57,596	49,901	34,924

Notes:

(a) At 31 December 2010, included in the trade payables was an amount of HK$20,155,000 (2011 and 2012: nil) payable to United Overseas Sundry Goods, a related company of the Group, which was aged between 61 to 90 days.

(b) The amount represents dividend payable to CN Fashion which is unsecured, interest-free and repayable on demand. The amount was fully settled subsequent to 31 December 2012.

The average credit period of trade payables is 30 days.

The following is an aged analysis of trade payables based on the invoice date at the end of each reporting period.

	As at 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	1,269	7,271	4,758
31 to 60 days	651	1,679	1,184
61 to 90 days	21,007	353	912
Over 90 days	939	214	38
	23,866	9,517	6,892

There are no trade and other payables denominated in currency other than functional currencies of the respective group entities which they relate.

24. AMOUNTS DUE TO RELATED COMPANIES

	As at 31 December		
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
THE GROUP			
Chung Tai Supplies Co., Ltd. (''Chung Tai'') *(Note a)*	4,549	4,534	—
Kaiser Bright Limited (''Kaiser Bright'') *(Note b)*	565	—	—
Lekin Limited (''Lekin'') *(Note c)*	1,295	1,803	—
Perfect Cycle Limited (''Perfect Cycle'') *(Note d)*	4,810	2,115	—
United Overseas Sundry Goods	2,003	385	—
	13,222	8,837	—

Notes:

(a) Chung Tai is a wholly-owned subsidiary of CN Fashion.

(b) Kaiser Bright is a company wholly-owned by Mr. Chu Chun Wah, Haeta, who is a director of the Company and shareholder of KTS International.

(c) Lekin is a company owned by KTS International and certain shareholders of KTS International.

(d) Perfect Cycle is a wholly-owned subsidiary of KTS International.

The amounts were of non-trade nature, unsecured, interest-free and repayable on demand. The amounts were settled during the Track Record Period.

25. AMOUNTS DUE FROM (TO) RELATED PARTIES

THE GROUP

The amount due from a related party represents amount due from Mr. Chu Chun Ho, Dominic, a director of the Company and a shareholder of KTS International, which is of non-trade nature, unsecured, interest-free and repayable on demand. The maximum amounts outstanding due from a related party are nil, HK$527,000 and HK$1,630,000 for the years ended 31 December 2010, 2011 and 2012, respectively. The amount will be fully settled before the Listing.

The amounts due to related parties represent loans from Mr. Chu Siu Ming, a director of the Company and a substantial shareholder of KTS International, and Ms. Wong May Heung, a close family member of Mr. Chu Siu Ming. The amounts are interest bearing at Prime lending rate and repayable on demand. The effective interest rate for the Track Record Period is 5% per annum. Approximately HK$8,000,000 was repaid by cash up to 30 April 2013 and the remaining balance will be settled by part of net proceeds from the Listing.

26. BANK BORROWINGS

	As at 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
THE GROUP			
Bank loans	35,575	22,731	20,140
Loans related to bills discounted with recourse	10,340	14,185	13,267
Trust receipt loans	8,898	30,696	59,650
	54,813	67,612	93,057
Secured	45,887	57,496	63,155
Unsecured	8,926	10,116	29,902
	54,813	67,612	93,057
Carrying amount repayable*			
Within one year	25,962	48,112	76,197
More than one year, but not more than two years	1,284	1,231	1,280
More than two years, but not more than five years	3,850	3,692	3,840
More than five years	12,834	11,077	10,240
	43,930	64,112	91,557
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayable on demand clause (shown under current liabilities)	10,883	3,500	1,500
	54,813	67,612	93,057
Less: Amounts due within one year shown under current liabilities	(36,845)	(51,612)	(77,697)
Amounts shown under non-current liabilities	17,968	16,000	15,360

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The above bank borrowings bear interests at benchmark interest rate of Central Bank of Taiwan plus 0.45% to 1.2% or Hong Kong Interbank Offered Rate plus 1.625 to 2.25% per annum.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings as at 31 December 2010, 31 December 2011 and 31 December 2012, respectively, is as follows:

	As at 31 December		
	2010	2011	2012
Effective interest rates:			
Variable-rate borrowings	1.6%–3.5%	1.6%–3.2%	1.6%–3.2%

Details of the pledged assets to secure the bank borrowings are set out in note 32.

Details of bank borrowings guaranteed by related parties are set out in note 33.

27. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 December			As at 31 December		
	2010	2011	2012	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP						
Amounts payable under finance leases:						
Within one year	139	—	—	133	—	—
More than one year but not more than two years	21	—	—	20	—	—
Less: Future finance charges	(7)	—	—	—	—	—
Present value of lease obligations	153	—	—	153	—	—
Less: Amount due for settlement within one year (shown under current liabilities)				(133)	—	—
Amount due for settlement after one year				20	—	—

The Group leased certain motor vehicles under finance leases. The average lease term was 4.5 years. The average effective interest rate underlying all obligations under finance leases was fixed at contract dates at 4.25% per annum.

28. SHARE CAPITAL

The Company was incorporated on 17 December 2012 with an authorised share capital of 5,000,000 shares of HK$0.01 each. On the same date, 1 share of HK$0.01 was issued to CN Fashion as par to provide initial capital of the Company.

The share capital as at 1 January 2010, 31 December 2010 and 31 December 2011 shown in the Financial Information represented the combined share capital of Kong Tai Sundry Goods and Grand Asian. The share capital as at 31 December 2012 represented the combined share capital of the Company and S. Culture BVI.

29. CONTINGENT LIABILITIES

At 31 December 2010, 31 December 2011 and 31 December 2012, the Group and the Company had no significant contingent liabilities.

30. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the ''HK MPF Scheme'') under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong and Mandatory Provident Fund Scheme under the Labour Standards Law (as amended) in Taiwan (the ''TW MPF Scheme'') for employees employed in Taiwan. The HK MPF Scheme and the TW MPF Scheme are defined contribution retirement schemes administered by independent trustees. Under the HK MPF Scheme and TW MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% and 6%, respectively, of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000 (increases to HK$25,000 effective 1 June 2012) for the HK MPF Scheme while there is no cap to monthly income under the TW MPF Scheme. Contributions to the schemes vest immediately.

The employees employed by a subsidiary in Macau Special Administrative Region of the People's Republic of China (''Macau'') are members of the government-managed social benefits schemes operated by the Macau government. The subsidiary is required to pay a monthly fixed contribution to the social benefits schemes to fund the benefits. The only obligation of the Group with respect to the social benefits schemes operated by the Macau government is to make the required contributions under the schemes. The assets of the schemes are held separately from those of the Group in funds under the control of an independent trustee.

The retirement scheme cost recognised in profit and loss represents contributions paid or payable to the schemes by the Group at rates specified in the rules of the scheme. At the end of each reporting period, the Group had no significant obligation apart from the contributions as stated above and there is no forfeited contribution arose upon employees leaving the retirement benefit schemes and which were available to reduce contributions payable.

31. OPERATING LEASE COMMITMENTS

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	49,721	98,241	109,405
In the second to fifth years inclusive	47,724	92,397	65,613
	97,445	190,638	175,018

Operating lease payments represent rentals payable by the Group for the warehouses, retail stores and department store counters. Leases are negotiated for terms ranging from one to five years.

Certain retail stores and department store counters include payment obligations with rental varied with gross revenue. The contingent rents are determined generally by applying pre-determined percentages to realised sales less the basic rentals of the respective leases.

32. PLEDGE OF ASSETS

At 31 December 2010, 31 December 2011 and 31 December 2012, leasehold land and buildings amounting to HK$33,959,000, HK$33,311,000 and HK$32,664,000, respectively, were pledged to secure the bank borrowings and banking facilities granted to the Group and refundable deposits (included in trade and other receivables), amounting to HK$181,000, HK$599,000 and HK$689,000 were pledged to secure the foreign exchange contracts entered into with a bank, respectively.

At 31 December 2010, 31 December 2011 and 31 December 2012, bills receivables with amounting to HK$10,340,000, HK$14,185,000 and HK$13,267,000, respectively, were pledged to secure the loans related to bills discounted with recourse.

33. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the Financial Information, the Group had entered into the following related party transactions:

Name of related companies	Nature of transactions	Year ended 31 December 2010	2011	2012
		HK$'000	*HK$'000*	*HK$'000*
Continuing transactions				
Becking Investment Limited (''Becking Investment'') *(Note a)*	Rental expense	309	309	309
Mr. Chong Hok Shan	Rental expense	268	288	268
Transactions to be discontinued after the Listing				
CN Group Limited (''CN Group'') *(Note a)*	Service fee expense	120	1,500	—
Lekin	Recharge of expense	293	292	261
	Management Fee income	—	—	100
United Overseas Sundry Goods	Repurchase	9,990	—	—
	Rental expense	122	—	—
	Purchase of property, plant and equipment	1,704	—	—
Zenico (Asia) Co., Ltd (''Zenico Asia'') *(Note b)*	Rental expense	—	—	120
	Management Fee income	126	126	126

Notes:

(a) Becking Investment and CN Group are wholly-owned by Mr. Chong Hok Shan, a substantial shareholder of KTS International, and Mr. Chong Hot Hoi and Mr. Chong Hok Hei, Charles, the directors of the Company.

(b) Zenico Asia is owned by close family members of Mr. Chu Siu Ming, a director of the Company and a substantial shareholder of KTS International.

Mr. Chu Siu Ming has provided personal guarantees of HK$114,500,000, HK$124,263,000 and HK$136,906,000 to a bank in respect of the Group's banking facilities as at 31 December 2010, 31 December 2011 and 31 December 2012, respectively. The personal guarantees will be released upon the Listing.

Mr. Chong Hok Shan has also provided personal guarantees of HK$35,700,000, HK$45,463,000 and HK$58,106,000 to a bank in respect of the Group's banking facilities as at 31 December 2010, 31 December 2011 and 31 December 2012, respectively. The personal guarantee will be released upon the Listing.

Compensation of key management personnel

The remuneration of key management of the Group during the Track Record Period was as follows:

	Year ended 31 December		
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and allowances	5,708	8,929	6,987
Performance related incentive payments	2,748	7,327	—
Retirement benefit schemes contributions	134	207	227
	8,590	16,463	7,214

(B) HOLDING COMPANY

The Company's immediate and ultimate holding company is KTS International, a company which was incorporated in the BVI with issued share capital substantially owned by Mr. Chong Hok Shan and Mr. Chu Siu Ming.

(C) EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 December 2012:

(a) On 21 January 2013, Grand Asian disposed of the 100% equity interest in Aiuti and Cotteen Marketing to CN Fashion for a total consideration of HK$41,000, resulting in nil gain or loss on disposal.

(b) On 11 June 2013, the Company declared a dividend of HK$20,000,000 to its shareholders. The dividend will be settled by part of net proceeds from the Listing.

(D) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies of the Group subsequent to 31 December 2012.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

*The information sets out in this appendix does not form part of the accountants' report on the financial information of our Group for the three years ended 31 December 2012 (the "**Accountants' Report**") received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.*

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the combined net tangible assets attributable to the owners of our Company as if the Global Offering had taken place on 31 December 2012.

This unaudited pro forma adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group as at 31 December 2012 or at any future dates following the completion of the Global Offering.

The following unaudited pro forma adjusted combined net tangible assets of our Group is based on the audited combined net tangible assets of the Group attributable to the owners of our Company as at 31 December 2012 as shown in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as follows:

	Audited combined net tangible assets attributable to the owners of our Company as at 31 December 2012[(1)] *HK$'000*	**Estimated net proceeds from the Global Offering**[(2)] *HK$'000*	**Unaudited pro forma adjusted combined net tangible assets** *HK$'000*	**Unaudited pro forma adjusted combined net tangible assets per Share**[(3)] *HK$*
Based on an Offer Price of HK$1.51 per Share.	149,672	59,886	209,558	1.05
Based on an Offer Price of HK$2.13 per Share.	149,672	90,111	239,783	1.20

Notes:

(1) The audited combined net tangible assets attributable to the owners of our Company as at 31 December 2012 were extracted from the Accountants' Report as set out in Appendix I to this prospectus.

(2) The estimated net proceeds of our Company from the Global Offering are based on the indicative Offer Price range of HK$1.51 per Share and HK$2.13 per Share after deduction of the underwriting fees and other relevant expenses payable by our Company (assuming the Over-allotment is not exercised).

(3) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments referred to in the above paragraph and on the assumption of a total of 200,000,000 Shares, being the number of Shares in issue upon completion of the Global Offering (including Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Global Offering, which takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option) were in issue.

(4) By comparing the valuation of the property interests as set out in Appendix III to this Prospectus, the net valuation surplus is approximately HK$56,925,000 as compared to the carrying amounts of our Group's property interests as at 30 April 2013, which has not been included in the above combined net tangible assets attributable to the owners of our Company. The valuation surplus of the property interests will not be incorporated in our Group's consolidated financial statements in the future. If the valuation surplus were to be included in the consolidated financial statements, an additional annual depreciation charge of approximately HK$776,000 would be incurred.

(5) Subsequent to 31 December 2012, a dividend of HK$20,000,000 has been declared by the Company. The above adjustment does not take into account the declaration of this dividend. Taking into account the estimated net proceeds from the Global Offering at the Offer Price of HK$1.51 per Share and HK$2.13 per Share and the dividend declared of HK$20,000,000, the unaudited pro forma adjusted combined net tangible assets per Share would have been approximately HK$0.95 per Share and HK$1.10 per Share, respectively.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of our Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of our Group for the purpose of incorporation in this prospectus.

Deloitte.
德勤

德勤．關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF S. CULTURE INTERNATIONAL HOLDINGS LIMITED

We report on the unaudited pro forma financial information of S. Culture International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the global offering of 50,000,000 shares of HK$0.01 each in the Company might have affected the financial information presented, for inclusion in part A of Appendix II to the prospectus dated 28 June 2013 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out in part A of Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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 Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the

adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying 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 of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 December 2012 or any future date.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 June 2013

CBRE

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Estate Agent's Licence No: C-004065

28 June 2013

The Board of Directors
S. Culture International Holdings Limited
Flat F–J, 11th Floor
Block 2, Kwai Tak Industrial Centre
15–33 Kwai Tak Street
Kwai Chung
New Territories
Hong Kong

Dear Sirs,

In accordance with the instructions for us to value the property interests (the ''Properties'') held by S. Culture International Holdings Limited (the ''Company'') and its subsidiaries (hereinafter together referred to as the ''Group'') in Hong Kong, Macau and Taiwan, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the Properties as at 30 April 2013 (the ''date of valuation'').

Our valuation is our opinion of Market Value which is defined by the HKIS Valuation Standards to mean ''the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.''

Our valuation is prepared in accordance with the ''The HKIS Valuation Standards 2012'' published by The Hong Kong Institute of Surveyors (HKIS). We have also complied with all the requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''Listing Rules'').

Our valuation has been made on the assumption that the owner sells the Properties on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the value of the Properties.

Unless otherwise stated, all the Properties are valued by the direct comparison method on the assumption that each property can be sold in their existing state subject to existing tenancies or otherwise with the benefit of vacant possession. Comparison is based on prices realised on actual transactions or asking prices of comparable properties. Comparable properties with similar sizes, characters and locations are analysed, and carefully weighed against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

For the property interests in Group I, which are property interests held by the Group, we have valued each of the property interests by the direct comparison approach assuming sales of each of the property interests in their existing state subject to existing tenancies or otherwise with the benefit of vacant possession and making references to comparable sale transactions as available in the relevant markets. We have also valued the property interests by the capitalisation approach applied with appropriate capitalisation rate in converting the rental income into capital value.

For the property interests in Group II and III, which are property interests rented by the Group and property interests to be rented by the Group respectively, we considered they have no commercial value due to the prohibition against assignments or sub-letting and/or due to the lack of substantial profit rent.

In the course of our valuation for the property interests in Hong Kong and Taiwan, land searches have been conducted at the Land Registry in Hong Kong and Land Office in Taiwan respectively. All documents have been used for reference only.

We have relied to a considerable extent on information given by the Group, in particular, but not limited to, the sales records, planning approvals, development schemes, outstanding development costs, statutory notices, easements, tenancies, floor areas (including Gross Floor Areas, Saleable Gross Floor Areas and Non-saleable Gross Floor Areas). No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificate are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free of encumbrances, restrictions and outgoings of onerous nature which could affect their values. We have valued the Properties on the assumption that they are freely transferable

for their existing uses for the whole of the unexpired term of land use rights as granted to both local and overseas purchasers without payment of any premium to the relevant authorities.

We have inspected the Properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey or any tests on the building services. Therefore, we are not able to report whether the Properties are free of rot, infestation or any other structural defects.

No site investigation was carried out to determine the suitability of the subsoil condition and services etc. for the construction of building and we have assumed that these aspects are satisfactory. Our valuation does not make any allowance for contamination or pollution of the land, if any, which may be occurred as a result of past usage.

The site inspection was carried out in April 2013 by Mr. Felix Liu, Ms. Monique Mok and Ms. Joanna Wong.

Unless otherwise stated, all monetary amounts are stated in Hong Kong dollars (''HK$''). The prevailing exchange rate as at the date of valuation is HK$1 = New Taiwan dollar (''NT$'') 3.8041.

We enclose herewith our summary of values and valuation certificate.

Yours faithfully,
For and on behalf of
CBRE Limited
Leo M Y Lo *MRICS MHKIS RPS(GP)*
Senior Director
Valuation & Advisory Services
Greater China

Note: Mr. Leo M Y Lo is a Registered Professional Surveyor (General Practice), a member of Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. He has over 9 years' valuation experience in Hong Kong, Macau and Taiwan.

SUMMARY OF VALUES

	Property	Capital value in existing state as at 30 April 2013 *(HK$)*	Interest attributable to the Group	Capital value attributable to the Group as at 30 April 2013 *(HK$)*
	Group I — Property interests held by the Group			
1.	Flat A on 2nd Floor, Hong Ming Building, Nos. 227–233 Des Voeux Road West, Hong Kong	7,100,000	100%	7,100,000
2.	Flat A & B on 3rd Floor, Hong Ming Building, Nos. 227–233 Des Voeux Road West, Hong Kong	14,300,000	100%	14,300,000
3.	Workshops A–E on 6th Floor, Block 2 and car parking space No. 51 on Ground Floor, Kwai Tak Industrial Centre, Nos. 15–33 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong	24,820,000	100%	24,820,000
4.	Workshop D on 10th Floor, Block 2, Kwai Tak Industrial Centre, Nos. 15–33 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong	4,900,000	100%	4,900,000
5.	Workshops F, I and J on 11th Floor, Roof No. 22, Block 2 and car parking space No. 31 on Ground Floor, Kwai Tak Industrial Centre, Nos 15–33 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong	15,320,000	100%	15,320,000

	Property	Capital value in existing state as at 30 April 2013 *(HK$)*	Interest attributable to the Group	Capital value attributable to the Group as at 30 April 2013 *(HK$)*
6.	An industrial office unit on level 5 and 4 car parking spaces on basement, No. 192 Ruiguang Road, Neihu District, Taipei City, Taiwan	23,400,000	100%	23,400,000
	Sub-total:	**89,840,000**		**89,840,000**
	Group II — Property interests rented by the Group			
7.	34 leased properties in Hong Kong			No commercial value
8.	2 leased properties in Macau			No commercial value
9.	9 leased properties in Taiwan			No commercial value
	Sub-total:			**No commercial value**
	Group III — Property interests to be rented by the Group			
10.	5 leased properties in Hong Kong			No commercial value
	Sub-total:			**No commercial value**
	Grand Total:	**89,840,000**		**89,840,000**

VALUATION CERTIFICATE

Group I — Property interests held by the Group

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 April 2013
1.	Flat A on 2nd Floor, Hong Ming Building, 227–233 Des Voeux Road West, Hong Kong (329/9,187th equal and undivided shares of and in the remaining portion of Inland Lot Nos. 5116, 5117, 5118 and 5119) The property is located at Sai Wan which is 15 minutes walk away from MTR.	The property comprises an office unit on level 2 of a 22-storey composite building which was completed in 1976. The property has a saleable floor area of approximately 1,330 sq.ft.. The remaining portion of Inland Lot Nos. 5116, 5117, 5118 and 5119 are held under Government Lease for a term of 999 years commencing from 27 July 1892. The Government Rent payable for the lots has not been registered on the Land Registry.	The property is occupied by the Group as office.	HK$7,100,000 (100% interests attributable to the Group: HK$7,100,000)

Notes:

1. The registered owner of the property is Kong Tai Sundry Goods Company Limited (''Kong Tai Sundry Goods'', a wholly-owned subsidiary of the Company) as per memorial dated 13 August 1986 registered vide memorial no. UB3133076.

2. The property lies within an area zoned as ''Residential (Group A)'' under Sai Ying Pun and Sheung Wan Outline Zoning Plan No. S/H3/28.

3. The property is subject to the following encumbrance:

   (a) Second further charge and legal charge dated 1 December 1988 in favour of Bangkok Bank Limited registered vide memorial no. UB3930203;

   (b) Deed of Mutual Covenant dated 1 June 1976 registered vide memorial no. UB4253431, previously registered vide memorial nos. 1278983 and 1935573; and

   (c) Deed of Variation of memorial nos. 1358821, 2103577 and 3930203 dated 15 August 1998 registered vide memorial no. UB7565378 in favour of Bangkok Bank Public Company Limited, formally known as Bangkok Bank Limited.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 April 2013
2.	Flat A & B on 3rd Floor, Hong Ming Building, Nos. 227–233 Des Voeux Road West, Hong Kong (644/9,187th equal and undivided shares of and in the remaining portion of Inland Lot Nos. 5116, 5117, 5118 and 5119) The property is located at Sai Wan which is 15 minutes walk away from MTR.	The property comprises 2 office units on level 3 of a 22-storey composite building which was completed in 1976. The property has a total saleable floor area of approximately 2,666 sq.ft.. The remaining portion of Inland Lot Nos. 5116, 5117, 5118 and 5119 are held under Government Lease for a term of 999 years commencing from 27 July 1892. The Government Rent payable for the lots has not been registered on the Land Registry.	The property is occupied by the Group as office.	HK$14,300,000 (100% interests attributable to the Group: HK$14,300,000)

Notes:

1. The registered owner of the property is Kong Tai Sundry Goods as per memorial dated 7 June 1976 registered vide memorial nos. UB1281334 and UB1281339.

2. The property lies within an area zoned as ''Residential (Group A)'' under Sai Ying Pun and Sheung Wan Outline Zoning Plan No. S/H3/28.

3. The property is subject to the following encumbrances:

   (a) Mortgage to secure general banking facilities dated 5 February 1977 in favour of Bangkok Bank Limited registered vide memorial no. UB1358821;

   (b) Further charge dated 28 April 1981 in favour of Bangkok Bank Limited registered vide memorial no. UB2103577;

   (c) Second further charge and legal charge dated 1 December 1988 in favour of Bangkok Bank Limited registered vide memorial no. UB3930203;

   (d) Deed of Mutual Covenant dated 1 June 1976 registered vide memorial no. UB4253431, previously registered vide memorial nos. 1278983 and 1935573; and

   (e) Deed of Variation of memorial nos. 1358821, 2103577 and 3930203 dated 15 August 1998 registered vide memorial no. UB7565378 in favour of Bangkok Bank Public Company Limited, formally known as Bangkok Bank Limited.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 April 2013
3.	Workshops A–E on 6th Floor, Block 2 and car parking space No. 51 on Ground Floor, Kwai Tak Industrial Centre, Nos. 15–33 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong (161/7,912th equal and undivided shares of and in Kwai Chung Town Lot Nos. 322, 323 and 324) The property is located at the south west of Kwai Chung which is 7 minutes walk away from MTR.	The property comprises 5 workshops on level 6 and 1 car parking space on ground level in block 2 of an 11-storey industrial complex which was completed in 1979. The property has a total saleable floor area of approximately 12,376 sq.ft.. Kwai Chung Town Lot Nos. 322, 323 and 324 are held under New Grant Nos. 5414, 5413 and 5415 respectively for a term of 99 years renewable for a further term of 24 years commencing from 1 July 1898 and is statutorily extended to 30 June 2047. The Government Rent payable for the lots is HK$900 per annum.	The property is currently occupied by the Group as workshop and car parking space.	HK$24,820,000 (100% interests attributable to the Group: HK$24,820,000)

Notes:

1. The registered owner of the property is Kong Tai Sundry Goods as per memorial dated 7 July 1994 registered vide memorial no. TW962861.

2. The property lies within an area zoned as ''Industrial'' under Kwai Chung Outline Zoning Plan No. S/KC/26.

3. The property is subjected to the following encumbrance:

   (a) Mortgage dated 15 June 1994 in favour of Bangkok Bank Public Company Limited registered vide memorial no. TW962862.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 April 2013
4.	Workshop D on 10th Floor, Block 2, Kwai Tak Industrial Centre, Nos. 15–33 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong (30/7,912th equal and undivided shares of and in Kwai Chung Town Lot Nos. 322, 323 and 324) The property is located at the south west of Kwai Chung which is 7 minutes walk away from MTR.	The property comprises a workshop on level 10 in block 2 of an 11-storey industrial complex which was completed in 1979. The property has a saleable floor area of approximately 2,436 sq.ft.. Kwai Chung Town Lot Nos. 322, 323 and 324 are held under New Grant Nos. 5414, 5413 and 5415 respectively for a term of 99 years renewable for a further term of 24 years commencing from 1 July 1898 and is statutorily extended to 30 June 2047. The Government Rent payable for the lots is HK$900 per annum.	The property is currently occupied by the Group as workshop.	HK$4,900,000 (100% interests attributable to the Group: HK$4,900,000)

Notes:

1. The registered owner of the property Kong Tai Sundry Goods as per memorial dated 11 October 2002 registered vide memorial no. TW1490968.

2. The property lies within an area zoned as ''Industrial'' under Kwai Chung Outline Zoning Plan No. S/KC/26.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 April 2013
5.	Workshops F, I and J on 11th Floor, Roof No. 22, Block 2 and car parking space No. 31 on Ground Floor, Kwai Tak Industrial Centre, Nos 15–33 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong (102/7,912th equal and undivided shares of and in Kwai Chung Town Lot Nos. 322, 323 and 324) The property is located at the south west of Kwai Chung which is 7 minutes walk away from MTR.	The property comprises 3 workshops on level 11, No. 22 on roof and a car parking space on ground level in block 2 of an 11-storey industrial complex which was completed in 1979. The property has a total saleable floor area of approximately 7,267 sq.ft.. Kwai Chung Town Lot Nos. 322, 323 and 324 are held under New Grant Nos. 5414, 5413 and 5415 respectively for a term of 99 years renewable for a further term of 24 years commencing from 1 July 1898 and is statutorily extended to 30 June 2047. The Government Rent payable for the lots is HK$900 per annum.	The property is currently occupied by the Group as workshop and car parking space.	HK$15,320,000 (100% interests attributable to the Group: HK$15,320,000)

Notes:

1. The registered owner of the property is Kong Tai Sundry Goods Company Limited as per memorial dated 16 June 1995 registered vide memorial no. TW1009415.

2. The property lies within an area zoned as ''Industrial'' under Kwai Chung Outline Zoning Plan No. S/KC/26.

3. The property is subjected to the following encumbrance:

   (a) Mortgage dated 16 June 1995 in favour of Bangkok Bank Public Company Limited registered vide memorial no. TW1009416.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 April 2013
6.	An industrial office unit on level 5 and 4 car parking spaces on basement, No. 192 Ruiguang Road, Neihu District, Taipei City, Taiwan The property is located at the north west of Neihu District which is 3 minutes walk away from MTR.	The property comprises 1 industrial office unit on level 5 and 4 car parking spaces on basement of a 12-storey industrial office building completed in 2000. The property has a total gross floor area of approximately 9,046.41 sq.ft. (254.24 ping) with floor area breakdown as below: Portion — GFA (sq.ft.) Industrial office and 3 car parking spaces — 8,554.93 Car parking space — 491.48 Total — 9,046.41 The property is held under 2 sets of Building Ownership Certificate.	The property is currently occupied by the Group as office and car parking spaces.	HK$23,400,000 (100% interests attributable to the Group: HK$23,400,000)

Notes:

1. Pursuant to the Land Ownership Certificate, the salient points are set out as follows:

Land Ownership Certificate Number	Owner	Plot Number	Site Area *(sq.ft.)*	Percentage of Ownership	Date of Issuance
099 Bei Zhong Zi Di No. 036991	Kong Tai Sundry Goods Company Limited	0056-0000	34,188.73	381/10,000	23 November 2010

2. Pursuant to the following Building Ownership Certificates, the salient points are set out as follows:

Building Ownership Certificate Number	Address	Owner	Building Number	Gross Floor Area *(sq.ft.)*	Usage	Date of Issuance
099 Bei Zhong Zi Di No. 031143	Level 5-1, No. 192 Ruiguang Road	Kong Tai Sundry Goods Company Limited	01247-000	8,554.93	Industrial	23 November 2010
099 Bei Zhong Zi Di No. 031144	Basement Level 2, No. 192 Ruiguang Road	Kong Tai Sundry Goods Company Limited	01247-000	491.48	Car parking space	23 November 2010

3. The property is acquired on 28 September 2010 with a consideration of NT$83,990,000.

VALUATION CERTIFICATE

Group II — Property interests rented by the Group

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 April 2013 *(HK$)*
7.	34 leased properties in Hong Kong	As advised by the Group, 34 properties are leased to it in Hong Kong.	The properties are occupied by the Group as retail shops, warehouses and offices.	No commercial value

Notes:

1. Pursuant to the tenancy agreements provided by the Group, some particulars of the agreements are summarised as below:

No.	Property Address	Shop code	Landlord	Tenant	Leased area (approximately sq.ft.)	Lease term from	Lease term to	Minimum monthly rental *(HK$)*	Use
1.	Shop No. G35, G/F, Site B & C, Park Lane Shopper's Boulevard, Nathan Road, Tsim Sha Tsui, Kowloon	IPLS	Yue Hwa Property (Holdings) Ltd.	Grand Asian Limited	650	18 Apr 2012	17 Apr 2014	$260,000	Retail shop
2.	Shop No. F8, Level 2, Telford Plaza I, Kowloon Bay, Kowloon	ITFS	MTR Corporation Limited	Grand Asian Limited	962	16 Apr 2012	15 Apr 2015	$200,000	Retail shop
3.	Shop No. 533, Level 5, New Town Plaza, Phase 1, Sha Tin, New Territories	INTS	Sun Hung Kai Real Estate Agency Ltd. (Agent for the Owner)	Grand Asian Limited	759	16 Oct 2012	15 Oct 2015	$178,365	Retail shop
4.	Shop No. 217, Level 2, K11, 18 Hanoi Road, Tsim Sha Tsui, Kowloon	IHNS	Sunfield Investments Limited and Park New Astor Hotel Limited	Grand Asian Limited	1,419	10 Nov 2012	9 Nov 2014	$106,425 (from 10 Nov 2012–9 Nov 2013) $116,358 (from 10 Nov 2013–9 Nov 2014)	Retail shop

No.	Property Address	Shop code	Landlord	Tenant	Leased area (approximately sq.ft.)	Lease term from	Lease term to	Minimum monthly rental *(HK$)*	Use
5.	Shop Nos. 6–8, G/F & 1/F, Excelsior Plaza, Yee On Building, No. 26 East Point Road, Hong Kong	IERS	Sunny Ocean Limited	Grand Asian Limited	1,730	1 Apr 2011	31 Mar 2014	$580,000	Retail shop
6.	Shop No. G26 on G/F of Site D, and Portion B of Shop No. 13 on 1/F of Site D Park Lane Shopper's Boulevard, Nathan Road, Tsim Sha Tsui, Kowloon	CSPL	Ever Wealthy Investment Limited	Grand Asian Limited	1,532	1 Sep 2011	31 Aug 2014	$420,000	Retail shop
7.	Shop No. 08, G/F, Ginza Plaza, 2A Sai Yeung Choi Street South, Mongkok, Kowloon	IGPS	Top Grace Properties Ltd.	Grand Asian Limited	550	3 Sep 2011	2 Sep 2013	$500,000	Retail shop
8.	Shop No. 20 on Basement 1, Langham Place, No. 8 Argyle Street, Kowloon	ILPS	Benington Limited and Renaissance City Development Co Ltd	Grand Asian Limited	586	1 Nov 2010	31 Oct 2013	$134,780 (from 1 Nov 2012–31 Oct 2013)	Retail shop
9.	Shop F13, 1/F, PopCorn, 9 Tong Yin Street, Tseung Kwan O, New Territories	SPPC	MTR Corporation Limited	Grand Asian Limited	506	31 Mar 2012	30 Mar 2015	$70,840 (from 31 Mar 2013–30 Mar 2014) $75,900 (from 31 Mar 2014–30 Mar 2015)	Retail shop

No.	Property Address	Shop code	Landlord	Tenant	Leased area (approximately sq.ft.)	Lease term from	Lease term to	Minimum monthly rental *(HK$)*	Use
10.	A7, G/F, Pak Cheung Building, Nos. 59–65, 59A–63A Shantung Street, Mongkok, Kowloon	SPST	Lee Melissa Miu-Hing	Grand Asian Limited	473	21 Jun 2012	20 Jun 2014	$160,000	Retail shop
11.	Shop No. 6E, G/F, Site 4, Aberdeen Centre, Aberdeen, Hong Kong	IACS	Aberdeen Commercial Investments Ltd	Grand Asian Limited	904	1 May 2011	30 Apr 2014	$152,250	Retail shop
12.	Shop No.5, G/F., Haiphong Mansion, 53–55 Haiphong Road, Tsim Sha Tsui, Kowloon	IHRS	Sino Treasure Investments Ltd.	Grand Asian Limited	1,700	16 Oct 2011	15 Oct 2014	$1,200,000	Retail shop
13.	Shop G31, G/F., Peninsula Centre, 67 Mody Road, Tsim Sha Tsui, Kowloon	ITSS	Fortune Star Realty Company Limited	Grand Asian Limited	306	1 Oct 2010	30 Sep 2013	$70,000	Retail shop
14.	Shop B & B1 on G/F, King Hing Building, 52 & 54 Argyle St, 97 Fa Yuen St, Kowloon	IMKS	Flow Grand Investments Ltd.	Grand Asian Limited	399	1 Dec 2011	30 Nov 2014	$360,000	Retail shop
15.	Shop No. U212, Upper Ground Floor 2, Lok Fu Plaza, Lok Fu Estate, 198 Junction Road, Kowloon	ILFS	The Link Properties Ltd	Grand Asian Limited	698	21 Mar 2011	20 Mar 2014	$60,000	Retail shop
16.	Shop No. G27 on G/F Site D, Park Lane Shopper's Boulevard, Nathan Road, Tsim Sha Tsui, Kowloon	SCPL	Ever Wealthy Investment Limited	Grand Asian Limited	1,532	1 Sep 2011	31 Aug 2014	$420,000	Retail shop
17.	G/F.,No.35 Fa Yuen Street, Kowloon	SCMK	Pace Victory Limited	Grand Asian Limited	1,100	16 Sep 2011	15 Sep 2014	$330,000	Retail shop

No.	Property Address	Shop code	Landlord	Tenant	Leased area (approximately sq.ft.)	Lease term from	Lease term to	Minimum monthly rental *(HK$)*	Use
18.	Shop No.355b, 3/F, Landmark North, No. 39 Lung Sum Avenue, Sheung Shui, New Territories	ISSS	SHK Sheung Shui Landmark Investment Ltd	Grand Asian Limited	517	24 Sep 2012	23 Sep 2014	$69,795	Retail shop
19.	Shop No. G29, G/F, Mikiki, 638 Prince Edward Road East, San Po Kong, NKIL 6308, Kowloon	JSMI	Evermax Development Ltd	Grand Asian Limited	871	16 Jul 2011	15 Jul 2014	$43,550	Retail shop
20.	Shop Nos. 026–027, Level 1, Uptown Plaza, No. 9 Nam Wan Rd., Tai Po, New Territories	JSUP	Sun Hung Kai Real Estate Agency Ltd. (Agent for the Owner)	Grand Asian Limited	603	31 Oct 2011	30 Oct 2013	$69,345	Retail shop
21.	Shop No. G7A, G/F, City Landmark II, No. 67–95 Tsuen Wan Market Street, Tsuen Wan, New Territories	JSCL	Millap Limited and Easefine Development Limited	Grand Asian Limited	644	18 Jun 2012	17 Jun 2015	$135,000 (from 18 Jun 2012–17 Jun 2014) $140,000 (from 18 Jun 2014–17 Jun 2015)	Retail shop
22.	Shop G30B, G/F., Panda Place, No. 3 Tsuen Wah Street, Tsuen Wan, New Territories	SM02	Kowloon Panda Hotel Ltd.	Shoe Mart Company Limited	870	1 Dec 2012	30 Nov 2015	$45,240	Retail shop
23.	Shop 081–82, G/F, New Kowloon Plaza, Tai Kok Tsui, Kowloon	SM03	Sun Hung Kai Real Estate Agency Ltd. (Agent for the Owner)	Shoe Mart Company Limited	453	1 Nov 2011	31 Oct 2013	$16,308	Retail shop
24.	Shop C, G/F with the cockloft store thereover, On Cheer Mansion, Nos. 53, 53A & 53B, Lion Rock Road, Kowloon	SM06	Wong Chun Fai	Shoe Mart Company Limited	970	10 Mar 2011	9 Mar 2014	$43,000	Retail shop

No.	Property Address	Shop code	Landlord	Tenant	Leased area (approximately sq.ft.)	Lease term from	Lease term to	Minimum monthly rental *(HK$)*	Use
25.	Shop No. U24, Upper Ground Floor, Fitfort, North Point, Hong Kong	SM07	National Goal Limited	Shoe Mart Company Limited	523	3 Apr 2012	2 Apr 2014	$32,000	Retail shop
26.	G/F, Yu Hing Mansion, 26C Jordan Road, Kowloon	SMJD	Sane Main Company Ltd	Shoe Mart Company Limited	600	17 Oct 2011	16 Oct 2014	$138,000	Retail shop
27.	Shop A, G/F., Chit Wing House, No. 2–6 Kau Yuk Road, Yuen Long, New Territories	SMYL	Cheung Yuk Ting	Shoe Mark Company Limited	750	23 Mar 2012	22 Mar 2015	$148,000	Retail shop
28.	Shop C, G/F, Casa Hotel 489 Nathan Road, Yau Ma Tei, Kowloon	SMYM	Kwok Kwong Company Limited	Shoe Mart Company Limited	1,100	7 May 2012	6 May 2015	$190,000	Retail shop
29.	Shop No. G84B, G/F, Phase 1, Kingswood Ginza, 12 Tin Yan Road, Tin Shui Wai, New Territories	SMKG	Tin Shui Wai Development Ltd	Shoe Mart Company Limited	418	1 Aug 2012	31 Jul 2015	$40,000 (from 1 Aug 2012–31 Jul 2014) $43,000 (from 1 Aug 2014–31 Jul 2015)	Retail shop
30.	Unit 3, 17/F, United Success Commercial Centre, No. 508 Jaffe Road, Causeway Bay, Hong Kong	IUSW	Yuen Kung Chun	Grand Asian Limited	653	1 Nov 2011	31 Oct 2013	$16,500	Warehouse
31.	Shop 120, 1/F, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui, Kowloon	N/A	Li Kwong Hung	Grand Asian Limited	506	1 Mar 2012	30 Sep 2013	$11,000	Warehouse
32.	Flat J, 7/F, Lisa House, 33 Nelson Street, Mongkok, Kowloon	IMKW	Markco Limited	Grand Asian Limited	372	8 Oct 2012	7 Oct 2014	$8,000 (from 8 Oct 2012–7 Oct 2013) $8,500 (from 8 Oct 2013–7 Oct 2014)	Warehouse

No.	Property Address	Shop code	Landlord	Tenant	Leased area (approximately sq.ft.)	Lease term from	Lease term to	Minimum monthly rental *(HK$)*	Use
33.	Workshops G&H, 11/F, Block 2, Kwai Tak Industrial Centre, 15–33 Kwai Tak Street, Kwai Chung, Hong Kong	N/A	Chong Hok Shan	Kong Tai Sundry Goods Company Limited	6,109	1 Nov 2012	31 Oct 2014	$30,000	Office
34.	Workshops A&E, 11/F, Block 2, Kwai Tak Industrial Centre, 15–33 Kwai Tak Street, Kwai Chung, Hong Kong	N/A	Becking Investment Limited	Kong Tai Sundry Goods Company Limited	5,991	1 Aug 2011	31 Jul 2013	$25,761.3	Office

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 April 2013 *(HK$)*
8.	2 leased properties in Macau	As advised by the Group, 2 properties are leased to it in Macau.	The property is occupied by the Group as retail shops.	No commercial value

Notes:

1. Pursuant to the tenancy agreements provided by the Group, some particulars of the agreements are summarised as below:

No.	Property Address	Shop code	Landlord	Tenant	Leased area (approximately sq.ft.)	Lease term from	Lease term to	Minimum monthly rental *(HKD)*	Use
1.	Aveida Horta E Costa, No.56A, RC-B, Edif Iao Mei, Macau	ICTS	何福明	Shoes Culture Company Limited	520	15 Mar 2012	14 Mar 2014	$49,000	Retail shop
2.	Shop 2300, Canal Level, Grand Canal Shoppes, Venetian Macao, Macau	IVMS	Venetian Cotai Limited	Shoes Culture Company Limited	615	29 Aug 2010	31 Aug 2016	$95,325 (from 29 Aug 2010–31 Aug 2013) $110,700 (from 1 Sep 2013–31 Aug 2014) $111,930 (from 1 Sep 2014–31 Aug 2015) $113,775 (from 1 Sep 2015–31 Aug 2016)	Retail shop

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 April 2013 *(HK$)*
9.	9 leased properties in Taiwan	As advised by the Group, 9 properties are leased to it in Taiwan.	The property is occupied by the Group as retail shops and warehouse.	No commercial value

Notes:

1. Pursuant to the tenancy agreements provided by the Group, some particulars of the agreements are summarised as below:

No.	Property Address	Shop Code	Landlord	Tenant	Leased area (approximately sq.ft.)	Lease term from	Lease term to	Minimum monthly rental *(NT$)*	Use
1.	1/F, No. 415-2, Guangdu South Road, Xinyu District, Taipei City 110	2001	林惺嶽	香港商港大有限公司台灣分公司	711	1 Oct 2010	30 Sep 2013	$115,000	Retail shop
2.	B1/F & 1/F No. 1, Lane 4, Yongkang Street, Da-an District, Taipei City 106	2009	王佳文, 王昭昇 and王昭淳	香港商港大有限公司台灣分公司	569	1 May 2011	30 Apr 2014	$305,000	Retail shop
3.	1/F & Room 2 of 2/F, No. 49, Chengdu Road, Wanhua District, Taipei City 108	2005	沈廖玉雲	香港商港大有限公司台灣分公司	498	1 May 2011	30 Apr 2014	$222,222 (from 1 May 2012–30 Apr 2013) $233,333 (from 1 May 2013–30 Apr 2014)	Retail shop
4.	1/F, No. 99, Section 1, Nanchang Road, Zhongzheng District, Taipei City 100	2010	鄧新川	香港商港大有限公司台灣分公司	605	1 Jan 2011	31 Dec 2013	$84,305	Retail shop

No.	Property Address	Shop Code	Landlord	Tenant	Leased area (approximately sq.ft.)	Lease term from	Lease term to	Minimum monthly rental *(NT$)*	Use
5.	1/F, No. 13, and No. 15-2-1 Section 4, Zhongxiao East Road, Da-an District, Taipei City 106	2021	葉彩美	香港商港大有限公司台灣分公司	1,483	1 Oct 2010	30 Sep 2013	$1,030,000 (from 1 Oct 2011–30 Sep 2013)	Retail shop
6.	1/F, No. 40, Lane 187, Section 1, Dunhua South Road, Da-an District, Taipei City 106	2028	黃秋玉	香港商港大有限公司台灣分公司	818	11 Mar 2011	10 Mar 2014	$300,000 (from 11 Mar 2013–10 Mar 2014)	Retail shop
7.	B1/F & 1/F, No. 49, Section 1, Fuxing South Road, Songshan District, Taipei City 105	2026	朱張月卿	香港商港大有限公司台灣分公司	1,100	20 Sep 2011	19 Sep 2016	$611,111 (from 20 Sep 2011–19 Sep 2013) $666,666 (from 20 Sep 2013–19 Sep 2016)	Retail shop
8.	1/F, No. 77, Section 4, Zhongxiao East Road, Da-an District, Taipei City 106	2027	款款國際開發有限公司	香港商港大有限公司台灣分公司	395	1 Oct 2011	31 Dec 2014	$840,000 (from 1 Oct 2011–30 Sep 2013) $865,200 (from 1 Oct 2013–31 Dec 2014)	Retail shop
9.	B1/F, No. 97, Section 4, Zhongxiao East Road, Da-an District, Taipei City 106	N/A	李昀儒	香港商港大有限公司台灣分公司	129	16 Oct 2012	31 Dec 2013	$23,333	Warehouse

VALUATION CERTIFICATE

Group III — Property interests to be rented by the Group

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 April 2013 *(HK$)*
10.	5 leased properties in Hong Kong	As advised by the Group, the property comprises 5 premises in Hong Kong.	The property is to be rented by the Group as retail shops.	No commercial value

Notes:

1. Pursuant to the tenancy agreements provided by the Group, some particulars of the agreements are summarised as below:

No.	Property Address	Shop code	Landlord	Tenant	Leased area (approximately sq.ft.)	Lease term from	Lease term to	Minimum monthly rental *(HK$)*	Use
1.	Shop 112, Maritime Square, Tsing Yi, New Territories	CSMT	MTR Corporation Limited	Grand Asian Limited	678	1 Jun 2013	31 May 2016	$138,990 (from 1 Jun 2013–31 May 2014) $145,770 (from 1 Jun 2014–31 May 2015) $152,550 (from 1 Jun 2015–31 May 2016)	Retail shop
2.	Shop M-52, Concourse Level, V City, Tuen Mun	TBC	Wetland Park Management Service Limited (with Sun Hung Kai Real Estate Agency Limited as agent)	Grand Asian Limited	1,111	1 Aug–15 Aug 2013 (actual date to be confirmed by landlord in July 2013)	Two years plus an intending tenant's option to renew for one year	1st–2nd year: $144,430 3rd year: Open market rent but not less than $144,430	Retail shop

No.	Property Address	Shop code	Landlord	Tenant	Leased area (approximately sq.ft.)	Lease term from	Lease term to	Minimum monthly rental *(HK$)*	Use
3.	Shop M-51, Concourse Level, V City, Tuen Mun, New Territories	TBC	Wetland Park Management Service Limited (with Sun Hung Kai Real Estate Agency Limited as agent)	Grand Asian Limited	1,009	1 Aug–15 Aug 2013 (actual date to be confirmed by landlord in July 2013)	Two years plus an intending tenant's option to renew for one year	1st–2nd year: $131,170 3rd year: Open market rent but not less than $131,170	Retail shop
4.	Shop No. A156, Level 1, Sun Yuen Long Centre, Yuen Long, New Territories	TBC	Sun Hung Kai Real Estate Agency Limited (as attorney for the owner, Kowloon-Canton Railway Corporation)	Grand Asian Limited	446	2 Oct 2013	1 Oct 2016	$42,370 (from 2 Oct 2013–1 Oct 2014) $44,600 (from 2 Oct 2014–1 Oct 2015) $49,060 (from 2 Oct 2015–1 Oct 2016)	Retail shop
5.	L118, Level 1 (also referred as L), The ONE, 100 Nathan Road, Tsim Sha Tsui	TBC	Chinese Estates (The ONE) Limited	Grand Asian Limited	1,023	1 Sep 2013 (or subject to the handover date confirmed by landlord)	31 Aug 2015	$130,000	Retail shop

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 Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 17 December 2012 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the ''Memorandum'') and the Amended and Restated Articles of Association (the ''Articles'').

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since 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) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 11 June 2013 and effective on the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Share certificates

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by two Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that

such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words ''restricted voting'' or ''limited voting'' or ''non-voting'' or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than four persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice 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). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (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 whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall 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

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present 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 or statutorily 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 and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Disclosure of interest in contracts with the Company or with any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of 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 or other benefits received by him as a director, officer or member of such other company. 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.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, 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 for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

(aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) 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/have 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 proposal 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 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 associate(s) 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 generally accorded to the employees to which such scheme or fund relates; or

(ee) 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.

(vi) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion 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 has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such 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 former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board 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.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term 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 the Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;

(bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(cc) if, without special leave, he is absent from meetings of the Board 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 generally;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;

(gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

(hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may 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 also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also 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 so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

Pursuant to the Articles, 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 uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, 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. The provisions summarised above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate 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 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks 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 a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares 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 shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any 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) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at

the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution — majority required

In accordance with 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 by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, 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 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 less than 21 clear days' notice has been given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ''ordinary resolution'', by contrast, 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 members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and 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 share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

(i) the chairman of the meeting; or

(ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised 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 in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, 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 member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account 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 assets and liabilities of the Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company 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 account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory

(as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarised financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may 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 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it 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;

(ee) the fixing of the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and

(gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be 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 transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit 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 of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on 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 removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline 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 option scheme 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 the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located 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 register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

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.

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, although 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 in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

(aa) 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 members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members 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.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus 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, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' 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 monies 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.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions 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, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, 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.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) 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. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit 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) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. 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 20% per annum as the Board shall fix 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 money uncalled and unpaid or instalments payable upon

any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state 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, nevertheless, 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 payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) 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, and continues to be present until the conclusion of the meeting.

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.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(t) 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, then 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, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds

and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

(i) all cheques or warrants, 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 years and three months period (being the 3 months notice period referred to in sub-paragraph (iii)), 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 stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (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.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 17 December 2012 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, 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

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or 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 arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that 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 of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include 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

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

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 member and, for the avoidance of doubt, 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. Nonetheless, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorised by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, 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. In addition, 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.

Under Section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able 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 sections 34 and 37A(7) of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Companies Law provides that for so long as a company holds treasury shares, 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.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

(i) an act which is ultra vires the company or illegal;

(ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and

(iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member 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.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that 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 interest 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

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to 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.

Section 59 of the Companies Law further states that 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.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company may apply for an undertaking from the Governor-in-Cabinet:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; 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 where the

event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and 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.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act 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.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their

shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member 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 members.

(r) 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, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed ''Documents Available for Inspection'' in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

(a) Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 17 December 2012. Our Company has established its principal place of business in Hong Kong at Flat F–J, 11/F., Block 2, Kwai Tak Industrial Centre, 15-33 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong and has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance. Mr. Dominic Chu has been appointed as our agent for acceptance of service of process and notices on our Company in Hong Kong at Flat B, G/F, Block 2, Wing On Towers, No.7-9, Boyce Road, Jardine's Lookout, Hong Kong.

(b) As our Company was incorporated in the Cayman Islands, its corporate structure and its memorandum of association and articles of association are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of its memorandum of association and articles of association and certain relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK$50,000 divided into 5,000,000 ordinary shares of HK$0.01 each. One fully paid Share was acquired by CN Fashion on 17 December 2012.

On 25 January 2013, as part of the Reorganisation (please refer to the section headed ''History, Reorganisation and Group Structure'' in this prospectus), 9,999 Shares were allotted and issued to CN Fashion, credited as fully paid, and thereafter a total of 10,000 Shares held by CN Fashion were distributed to its shareholders whose names appeared in the register of members of CN Fashion as at 31 December 2012 in accordance with the applicable Cayman Islands laws. Particulars of the foregoing distribution are tabulated as follows:

Name	No. of Shares	Shareholding in our Company
Mr. Chu	31	0.31%
Ms. Wong May Heung	178	1.78%
Mr. Wong Kai Cho	52	0.52%
KTS International	6,822	68.22%
Chung Nam Fashion	2,729	27.29%
Pomeroy Group	188	1.88%
Total:	10,000	100%

On 11 June 2013, the authorised share capital of our Company was increased by HK$4,950,000 by the creation of an additional 495,000,000 Shares.

Assuming that the Global Offering becomes unconditional and the Offer Shares and the Shares under the Capitalisation Issue are allotted and issued, immediately upon completion of the Global Offering and the Capitalisation Issue but not taking into account of any Shares which may be issued under the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK$5,000,000 divided into 500,000,000 Shares and the issued share capital of our Company will be HK$2,000,000 divided into 200,000,000 Shares fully paid or credited as fully paid, and 300,000,000 Shares will remain unissued.

Other than pursuant to the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme, our Company does not have any present intention to issue any Shares out of the authorised but unissued share capital of our Company.

Save as disclosed in this appendix, there has been no alteration in the share capital of our Company since the date of our incorporation.

3. Changes in share capital of our subsidiaries

Save as disclosed in the section headed ''History, Reorganisation and Group Structure'' in this prospectus, no alteration in share capital of any subsidiaries of our Company has taken place within the Track Record Period.

4. Written resolutions of our Shareholders

Under the written resolutions of our Shareholders passed on 11 June 2013:

(a) the authorised share capital of our Company was increased from HK$50,000 to HK$5,000,000 by the creation of 495,000,000 new Shares;

(b) the Memorandum and Articles of Association were approved and adopted conditional upon and with effect from Listing;

(c) conditional on the conditions stated in the section headed ''Structure and Conditions of the Global Offering'' in this prospectus, the Global Offering and the Over-allotment Option were approved and our Directors were authorised to allot and issue such number of Offer Shares in connection with the Global Offering and any exercise of the Over-allotment Option as they think fit, on the terms and subject to the conditions stated in this prospectus and the Application Forms;

(d) the rules of the Share Option Scheme, the principal terms of which are set out in the section headed ''D. Share Option Scheme'' in this appendix, were approved and adopted and the Directors were authorised, among others, to grant options to subscribe for Shares thereunder and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;

(e) conditional upon the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares under the Global Offering, our Directors were authorised to allot and issue a total of 149,990,000 Shares credited as fully paid at par value to the holders of Shares on the register of members of our Company at the close of business on the date of passing of the written resolutions (or other date as our Directors may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued with fraction of a Share) by way of capitalisation of the sum of HK$1,499,900 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued under this resolution shall rank pari passu in all respects with the existing issued Shares (the ''**Capitalisation Issue**''), the register of members of our Company was to be updated accordingly, and our Directors were further authorised to take all such steps and actions as appropriate or necessary to give effect to the Capitalisation Issue;

(f) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with unissued Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require the exercise of such powers, subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise that under (i) a Rights Issue (as defined below); (ii) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association; (iii) an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company; and (iv) any specific authority granted by our Shareholders at general meetings, shall not exceed the sum of (i) 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (but excluding any Shares which may be allotted and issued under the Over-allotment Option); and (ii) the nominal amount of the share capital of our Company repurchased by our Company pursuant to the authority granted to our Directors as referred in paragraph (g) below up to a maximum of 10% of the aggregate nominal amount of share capital of our Company in issue

immediately following completion of the Global offering and the Capitalisation Issue (but excluding any Shares which may be allotted or issued under the Over-allotment Option);

(g) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose and otherwise in accordance with the rules and regulations of the SFC, the Stock Exchange, the Companies Law and all other applicable laws in this regard, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (but excluding Shares which may be allotted and issued under the Over-allotment Option); and

(h) the general unconditional mandate as mentioned in paragraph (f) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted, issued or otherwise dealt with by our Directors under such general mandate of an amount representing the aggregate nominal value of the Shares repurchased by our Company under the mandate to repurchase Shares referred to in paragraph (g) above.

For the purposes of paragraph (f) above, ''Rights Issue'' means an offer of Shares or issue of options, warrants or other securities giving the right to subscribe for Shares open for a period fixed by our Directors to holders of Shares whose names appear on the register of members of our Company (and, where appropriate, to holders of other securities of our Company entitled to the offer) on a fixed record date in proportion to their then holdings of such Shares (or, where appropriate, such other securities) (subject in all cases to such exclusions or other arrangements as our Directors may deem necessary or expedient (but in compliance with the relevant provisions of the Listing Rules) in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to our Company or the expense or delay that may be incurred in the determination of any such restrictions or obligations).

Each of the general mandates referred to in paragraphs (f), (g) and (h) above will remain in effect until whichever is the earliest of (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law of the Cayman Islands or the Articles of Association; or (3) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders at a general meeting.

5. Corporate reorganisation

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the business and the structure of our Group. For further information about our Reorganisation, please refer to the section headed ''History, Reorganisation and Group Structure'' in this prospectus. The share capital of our Company upon completion of the Reorganisation and the Global Offering, assuming the Over-allotment Option and any option which may be granted under the Share Option Scheme are not exercised, is set out in the section headed ''Share Capital'' in this prospectus.

6. Repurchase of our own securities

This section includes information relating to the repurchase of our Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Relevant legal and regulatory requirements

The Listing Rules permit our Shareholders to grant to our Directors a general mandate to repurchase our Shares that are listed on the Stock Exchange. The mandate is required to be given by way of an ordinary resolution passed by our Shareholders in a general meeting.

(b) Shareholders' approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of our Shareholders at a general meeting, either by way of general mandate or by specific approval of a particular transaction.

On 11 June 2013, our Directors were granted a general unconditional mandate (the ''**Repurchase Mandate**'') to repurchase up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued under the Over-allotment Option) on the Stock Exchange or on any other stock exchange on which our securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose. This mandate will expire at the earliest of (i) the conclusion of our next annual general meeting, (ii) the date by which our next general meeting is required by the Articles of Association or any applicable laws of the Cayman Islands to be held, or (iii) when the authority given to our Directors is revoked or varied by ordinary resolutions of our Shareholders at a general meeting (the ''**Relevant Period**'').

(c) Source of funds

Our repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with our Memorandum and Articles, the Listing Rules and the applicable laws of the Cayman Islands. We may not repurchase our Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, we may make repurchases out of our profit or out of the proceeds of a fresh issue of Shares for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of our Shares to be repurchased must be out of profits of our Company or out of our Company's share premium account. If authorised by our Articles and subject to the Companies Law, repurchase may also be made out of capital.

(d) Reasons for repurchases

Our Directors believe that it is in our and our Shareholders' best interests for our Directors to have general authority to execute repurchases of our Shares in the market. The repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that the repurchases will benefit us and our Shareholders.

(e) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Memorandum and Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our 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 our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(f) Share capital

The exercise in full of the Repurchase Mandate, on the basis of 200,000,000 Shares in issue immediately after the Global Offering and the Capitalisation Issue (without taking into account the exercise of the Over-

allotment Option and any option which may be granted under the Share Option Scheme), would result in up to 20,000,000 Shares being repurchased by us during the Relevant Period.

(g) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any of our Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, our Memorandum and Articles, the Companies Law and any other applicable laws of the Cayman Islands.

If, as a result of any repurchase of our Shares, a shareholder's proportionate interest in our voting rights is increased, the 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 us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

No connected person has notified us that he or it has a present intention to sell his or its Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

(a) a share purchase agreement dated 25 January 2013 entered into among our Company, CN Fashion and KTS International, under which CN Fashion agreed to transfer its entire shareholding in S. Culture BVI to our Company pursuant to the Reorganisation and KTS International agreed to guarantee the performance of the obligations of CN Fashion thereunder;

(b) a cornerstone investor placing agreement dated 21 June 2013 entered into among our Company, Prosper Wise Holdings Limited (''Prosper Wise'') and the Sole Bookrunner, pursuant to which Prosper Wise agreed to subscribe for such number of Shares as may be subscribed for with an amount of HK$40 million at the Offer Price (exclusive of brokerage of 1%, SFC

transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) (rounded down to the nearest board lot of 2,000 Shares) in the International Placing (the "**Original Cornerstone Placing Agreement**");

(c) an amended and restated cornerstone investor placing agreement dated 25 June 2013 entered into among our Company, Prosper Wise and the Sole Bookrunner, which amended and restated the Original Cornerstone Placing Agreement in its entirety, in relation to the International Placing;

(d) the Deed of Indemnity;

(e) the Public Offer Underwriting Agreement; and

(f) the Deed of Non-competition.

2. Intellectual property rights

As at the Latest Practicable Date, our Group has registered/has applied for the registration of the following intellectual property rights.

A. Trademarks

(a) Registered trade or service marks owned by our Group

As at the Latest Practicable Date, our Group was the registered owner of the following trademarks which are material in relation to our business:

Trade/service marks	Name of registered owner	Territory of Registration	Class(es)	Registration Number	Registration Date	Expiry Date
	Grand Asian	Hong Kong	18, 24, 25	300033100	16 June 2003	15 June 2023
	Grand Asian	Hong Kong	18, 24, 25	300033137	16 June 2003	15 June 2023
	Grand Asian	Hong Kong	35	300102022	29 October 2003	28 October 2013
	Grand Asian	Hong Kong	35	300102031	29 October 2003	28 October 2013
	Grand Asian	Hong Kong	3, 21	300110249	12 November 2003	11 November 2013
	Grand Asian	Hong Kong	3, 21	300110258	12 November 2003	11 November 2013
	Grand Asian	Hong Kong	35	300212426	11 May 2004	10 May 2014
	Grand Asian	Hong Kong	35	300212435	11 May 2004	10 May 2014

Trade/service marks	Name of registered owner	Territory of Registration	Class(es)	Registration Number	Registration Date	Expiry Date
	Grand Asian	Hong Kong	35	300212453	11 May 2004	10 May 2014
	Grand Asian	Hong Kong	18, 25, 35	300579736	13 February 2006	12 February 2016
	Grand Asian	Hong Kong	18, 24, 25, 35	300657748	13 June 2006	12 June 2016
shoe mart	Shoe Mart Company	Hong Kong	18, 24, 25, 35	300460089	19 July 2005	18 July 2015
	Shoe Mart Company	Hong Kong	18, 24, 25, 35	300597411	11 March 2006	10 March 2016
	Shoe Mart Company	Hong Kong	25, 35	300633870	8 May 2006	7 May 2016
	Grand Asian	Macau	35	N/44431	8 January 2010	8 January 2017
	Grand Asian	Macau	35	N/44432	8 January 2010	8 January 2017
	Kong Tai Sundry Goods	Taiwan	25	01118078	1 September 2004	31 August 2014
	Kong Tai Sundry Goods	Taiwan	25	01118077	1 September 2004	31 August 2014
	Kong Tai Sundry Goods	Taiwan	35	00182641	16 July 2003	15 May 2023
	Kong Tai Sundry Goods	Taiwan	35	00181179	16 June 2003	15 May 2023

(b) Application for registration of trademark

As at the Latest Practicable Date, our Group has applied for registration of the following trademark which are material to our business:

Trademark	Name of Applicant	Territory of Application	Class(es)	Application Number	Application Date
	Company	Hong Kong	35, 39	302542833	8 March 2013
	Kong Tai Sundry Goods	Taiwan	18	102001766	11 January 2013

Trademark	Name of Applicant	Territory of Application	Class(es)	Application Number	Application Date
S.CULTURE	Kong Tai Sundry Goods	Taiwan	20	102001768	11 January 2013

B. Licensed trademarks, intellectual property, etc.

Our Group has been granted licenses to use the following trademarks, logos, brands or other intellectual property which our Directors consider are material to our Group's business:

(a) pursuant to an international franchise agreement dated 10 August 2012 entered into between Kong Tai Sundry Goods and C&J Clark, Kong Tai Sundry Goods has been granted the right to use the trade name and trademark CLARKS to sell and promote footwear, handbags and ancillary products of Clarks at all Clarks retail stores operated by Kong Tai Sundry Goods in Hong Kong, Macau and Taiwan from 1 July 2012 to 31 December 2017;

(b) pursuant to a distribution agreement dated 31 March 2004, as amended and supplemented by the addendum thereto dated 3 January 2007 and the supplementary agreement dated 10 May 2012, all entered into between Cobblers and Josef Seibel GmbH, Cobblers has been granted the right to use the trademarks ''Josef Seibel'', ''The European Comfort Shoes'', ''Airmassage'' and ''Airped'' to advertise, market and sell footwear products of Josef Seibel in Hong Kong, Macau, Taiwan, the PRC, Thailand and Malaysia until 31 December 2022;

(c) pursuant to a distributorship agreement dated 13 October 2008 entered into between Cobblers and Streetcars, Inc. Cobblers has been granted the right to use the trademarks ''STREETCARS'', ''STREETCARS & DESIGN'', ''SC DESIGN'', ''ACS ARCH SUPPORT COMFORT & DESIGN'' and ''STREETCARS COMFORT FOOTWEAR with Designs'' to advertise the footwear products of Streetcars (except golf shoe products) in Hong Kong, Macau, Taiwan, China, Malaysia, Singapore and Indonesia from 13 October 2008 to 12 October 2013;

(d) pursuant to a distribution agreement dated 28 December 2012 entered into between Cobblers and Yukon S.L., Cobblers has been granted the right to use the trademarks ''Yokono/Yokono k'' for advertising, marketing and sales of footwear products of Yukon and operate ''Yokono/Yokono k'' shop-in-shop in Hong Kong, Macau, Taiwan and the PRC until 31 December 2015; and

(e) pursuant to an agent and distribution agreement dated 22 January 2013 entered into between Cobblers and Ka & Ka, Cobblers has been granted the right to use the trademark ''The Flexx'' to market and sell footwear products of ''The Flexx'' and operate ''The Flexx'' shop-in-shop in Hong Kong, Macau, Taiwan and the PRC until 31 December 2015.

C. Domain Names

As at the Latest Practicable Date, our Group had registered the following domain names:

Registrant	Domain Name	Date of Registration	Expiry Date
Kong Tai Sundry Goods	www.s-culture.com	23 January 2000	23 January 2014

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Disclosure of interests

Immediately following completion of the Global Offering and the Capitalisation Issue and on the assumption that the Over-allotment Option and any options which may be granted under the Share Option Scheme are not exercised, the interests or short position of our Directors or chief executive of our Company in the equity or debt securities of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, under section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case, once the Shares are listed will be as follows:

Name of Director	Nature of Interest	Relevant company (including associated corporations)	Number of shares in the relevant company[1]	Approximate percentage of interest in the relevant company immediately after the Global Offering and the Capitalisation Issue and assuming the Over-allotment Option and any options under the Share Option Scheme are not exercised
Mr. Chu	Beneficial interest	The Company	465,000 (L)	0.23%
	Interest of spouse[2]	The Company	2,670,000 (L)	1.34%
	Beneficial interest	KTS International	3,675,178 (L)	23.25%
Mr. Dominic Chu	Beneficial interest	KTS International	264,577 (L)	1.67%
Mr. Haeta Chu	Beneficial interest	KTS International	97,499 (L)	0.62%
Mr. H. H. Chong	Interest in a controlled corporation[3], [4]	The Company	43,755,000 (L)	21.87%
	Beneficial interest	KTS International	266,158 (L)	1.68%
Mr. Charles Chong	Interest in a controlled corporation[3], [4]	The Company	43,755,000 (L)	21.87%
	Beneficial interest	KTS International	260,272 (L)	1.65%

Notes:

1. The letter ''L'' denotes the person's long position in such Shares; and ''S'' the person's short position.

2. Ms. Wong May Heung is the wife of Mr. Chu. Hence, Mr. Chu is deemed to be interested in the number of Shares held by Ms. Wong May Heung by virtue of the SFO.

3. Each of Mr. H. H. Chong and Mr. Charles Chong, respectively, owns one-third of the issued share capital of Chung Nam Fashion and therefore, is deemed to be interested in the number of Shares held by Chung Nam Fashion by virtue of the SFO.

4. Each of Mr. H. H. Chong and Mr. Charles Chong, respectively, owns one-third of the issued share capital of Pomeroy Group and therefore, is deemed to be interested in the number of Shares held by Pomeroy Group.

2. Substantial shareholders

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering and on the assumption that the Over-allotment Option and any option which may be granted under the Share Option Scheme are not exercised, the following persons (other than a Director or a chief executive of our Company) will have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO 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 our Company or any of our subsidiaries:

Name of shareholder	Nature of interest	Number of Shares[1]	Approximate percentage of interest in our Company immediately after the Global Offering and the Capitalisation Issue and assuming the Over-allotment Option and any options under the Share Option Scheme are not exercised
Mr. H. S. Chong	Interest in a controlled corporation [2], [3]	146,085,000 (L)	73.04%
KTS International	Beneficial interest	102,330,000 (L)	51.17%
Chung Nam Fashion	Beneficial interest	40,935,000 (L)	20.47%

Notes:

1. The Letter ''L'' denotes the person's long position in such Shares; and ''S'' the person's short position.

2. Mr. H. S. Chong owns one-third of the issued share capital of each of Chung Nam Fashion and Pomeroy Group, respectively, and therefore, is deemed to be interested in the number of Shares held by Chung Nam Fashion and Pomeroy Group by virtue of the SFO.

3. Mr. H. S. Chong owns approximately 37.53% of the issued share capital of KTS International and therefore, is deemed to be interested in the number of Shares held by KTS International by virtue of the SFO.

3. Particulars of service contracts

(a) Executive Directors

Each of our executive Directors, respectively, has entered into a master service contract with our Company under which he agreed to act as executive Director for an initial term of three years with effect from 1 May 2013. Either party thereto has the right to give not less than six months' written notice to terminate the contract.

In addition to the master service contract entered into with our Company, each of the executive Directors, respectively, has separately entered into a service contract with one or more of our operating subsidiaries in the following manner:

Mr. Chu	Kong Tai Sundry Goods
Mr. Dominic Chu	Kong Tai Sundry Goods
Mr. Haeta Chu	Kong Tai Sundry Goods and Grand Asian

Under the subsidiary service contracts, either party thereto has the right to give not less than six months' written notice to terminate the contract.

The subsidiary service contract(s) entered into by each of the executive Directors shall terminate automatically on the termination or expiration of his related master service contract or his other subsidiary service contract (if any), and vice versa.

(b) Non-executive Directors and independent non-executive Directors

Each of our non-executive Directors and independent non-executive Directors, respectively, has entered into an appointment letter with our Company for an initial term of three years commencing from 1 May 2013. Either party thereto has the right to give not less than three months' written notice to terminate the appointment.

(c) Remuneration of Directors

(1) The remunerations (including fees, salaries, contribution to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our Directors in aggregate for the three years ended 31 December 2012 were approximately HK$7.7 million, HK$15.4 million and HK$5.9 million, respectively.

(2) Under the arrangements currently in force, our Company estimates that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors in respect of the year ending 31 December 2013 to be approximately HK$8.1 million.

Save as disclosed in this prospectus, none of our Directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation). And there has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2012.

4. Fees or commissions received

Save as disclosed in this prospectus, none of our Directors nor any of the persons whose names are listed in the section headed ''E. Other Information — 6. Qualification of Experts'' in this appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of our Company or any of our subsidiaries from our Company within the two years preceding the date of this prospectus.

5. Related party transactions

During the two years preceding that date of this prospectus, we were engaged in related party transactions as described under the section headed ''Connected Transactions'' and note 33 of the Accountants' Report set out in Appendix I to this prospectus.

6. Interest in our largest suppliers or customers

Save as disclosed in this prospectus, none of our Directors nor their associates, nor any Shareholder (which to the knowledge of our Director owns more than 5% of our Company's share capital) has any interest in our five largest suppliers or our five largest customers.

7. Personal guarantees

Mr. Chu and Mr. H.S. Chong have provided personal guarantees in favour of certain banks for banking facilities granted to certain members of our Group. Our Directors confirm that the banks have given their respective in-principle consents to release all such guarantees and replace such guarantees by corporate guarantees and/or other collaterals to be provided by our Company and/or other members of our Group upon Listing.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme approved by a resolution of our shareholders on 11 June 2013. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

1. 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 our Group and companies in which our Company holds, directly or indirectly, an equity interest and/or to enable our Group and such companies to recruit and retain high-calibre employees and attract human resources that are valuable to them.

2. Eligibility of the participants

The eligible participants of the Share Option Scheme (the ''**Eligible Participants**'') are any of the following classes of persons:

(1) any employee, executive, executive director, or non-executive director of any member of our Group or of any company in which our Company holds, directly or indirectly, an equity interest (the ''**Invested Entity**'') (including any full-time or part-time employee, executive, executive director, non-executive director, independent non-executive director and company secretary);

(2) any supplier of goods or services to any member of our Group or any Invested Entity;

(3) any customer of our Group or any Invested Entity;

(4) any consultant, adviser, manager, officer or entity that provides research, development or other technological support to our Group or any Invested Entity.

3. Grant and acceptance of options

Subject to the terms of the Share Option Scheme, our Board may, at its absolute discretion, invite any Eligible Participant to take up options to subscribe for Shares at a price calculated in accordance with paragraph 5 below. To the extent that the offer of the grant of an option is not accepted within 28 days from the date upon which it is made (provided that no such offer of grant shall be open for acceptance after the tenth anniversary of the date on which the Share Option Scheme is adopted by the Shareholders (the ''**Adoption Date**'') or after the Share Option Scheme has been terminated), it will be deemed to have been irrevocably declined and lapsed.

An option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the offer of the grant of the option duly signed by the grantee is received by our Company. No consideration is payable by the grantee in respect of the offer of the grant, the acceptance of the offer of grant or the grant of the option.

4. Restrictions on the grant of option

Each grant of options to a Director, chief executive or substantial Shareholder of our Company, or any of their respective associates, must be approved by independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options). Where any grant of options to a substantial Shareholder or an independent non-executive Director, or any of their respective associates, would 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 in accordance with the terms of the Share Option Scheme:

(1) representing in aggregate over 0.1% of the Shares in issue; and

(2) having an aggregate value, based on the closing price of the Shares at the date of such grant, in excess of HK$5 million,

such further grant of options must be approved by Shareholders in general meeting. Our Company must send a circular to our Shareholders. All connected persons of our Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the general meeting of our Company to approve the grant of such options must be taken on a poll. Any change in the terms of the options granted to an Eligible Participant who is a substantial Shareholder or an independent non-executive Director, or any of their associates, shall also be approved by Shareholders as stated above in general meeting.

No offer for grant of options shall be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such information has been announced in accordance with the requirements of the SFO and the Listing Rules. In particular, no option shall be granted during the period commencing one month immediately preceding the earlier of:

(1) the date of the meeting of our Board (as such date is first notified to the Stock Exchange under the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(2) the last date on which our Company must publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

Our Board shall not grant any option to an Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

5. Price for Shares

Subject to any adjustments made in consequence of any alterations in the capital structure of our Company as mentioned in paragraph 15 below, the subscription price for the Shares under the Share Option Scheme shall be a price determined by our Board at its absolute discretion and notified to the grantee of the option and shall be at least the higher of (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (2) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (3) the par value of the Shares. For the purpose of the Share Option Scheme, ''**business day**'' means any day on which the Stock Exchange is open for business of dealing in securities.

6. Maximum number of Shares

The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company (the ''**Other Schemes**'') shall not exceed 30% of the issued share capital of our Company from time to time. No options may be granted under the Share Option Scheme or any of the Other schemes if that would result in the foregoing limit being exceeded.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and options to be granted under all of the Other Schemes shall not in aggregate exceed 20,000,000 Shares, being 10% of the total number of Shares in issue as at the Listing Date immediately after consummation of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment option is not exercised) (the ''**General Scheme Limit**''). Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the General Scheme Limit.

Our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit such that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and options to be granted under all of the Other Schemes under the General Scheme Limit as refreshed will not exceed 10% of the issued share capital of our Company as at the date of approval of the refreshing of the limit by Shareholders in general meeting. For the avoidance of doubt, options previously granted under the Share Option Scheme and options previously granted under any of the Other Schemes (including those outstanding, cancelled or lapsed in accordance with the Share Option Scheme and any of the Other Schemes or options exercised pursuant to the Share Option Scheme and any Other Scheme) shall not be counted for the purpose of calculating the refreshed limit.

The General Scheme Limit will be adjusted, in such manner as the auditors for the time being of our Company (the ''**Auditors**'') shall certify to be appropriate, in the event of any alterations in the capital structure of our Company as mentioned in paragraph 15 below or otherwise howsoever.

Our Company may, by the approval of the Shareholders in general meeting, grant options beyond the General Scheme Limit or, if applicable, the refreshed limit, provided that the options in excess are granted only to Eligible Participant specifically identified by our Company before such approval is sought.

The total number of Shares issued and to be issued upon exercise of the options granted in accordance with the Share Option Scheme to each Eligible Participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being. Any further grant of options to an Eligible Participant which would result in the said 1% limit being exceeded (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant, must be approved by the Shareholders in general meeting with such Eligible Participant and his associates abstaining from voting.

7. Exercise of option

Unless otherwise provided in the terms of the Share Option Scheme, an option may be exercised at any time during the option period, which is defined as such periods to be determined and notified by our Board to each grantee at the time of the offer of the grant of the option in respect of any particular option under the Share

Option Scheme, each of which period may commence and end on any dates as determined by our Board but shall in any event end not later than 10 years from the date of grant, subject to the provisions for early termination thereof as provided in the Share Option Scheme (the ''**Option Period**''). There is no performance target which must be achieved before any of the options can be exercised.

8. Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of our Memorandum and Articles for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of allotment and accordingly shall entitle the holders thereof to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be before the date of allotment.

9. Right are personal to grantee

An option is personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or in any manner dispose of or create any interest in favour of any third party over or in relation to any option. Any breach of the foregoing shall entitle our Company to cancel any outstanding option or part thereof granted to such grantee.

10. Rights on death, ill-health, injury or disability

If the grantee of an option ceases to be an Eligible Participant by reason of ill-health, death, injury or disability before exercising the option in full, subject to the determination of our Board by notice in writing to the grantee (or his legal personal representative(s)) within seven days following the date of such cessation (or such longer period as our Board may reasonably determine), the grantee or his legal personal representative(s) (as the case may be) may exercise the option up to the grantee's entitlement (to the extent not already exercised) within the period of 12 months following his such cessation or such longer period as determined by our Board provided that if within a period of three years prior to such cessation the grantee had committed any of the acts specified in paragraph 19(5) below, our Board may at any time forthwith terminate the option of the grantee by written notice to him or his legal personal representative(s).

11. Rights on other cessation except for reasons in paragraph 10 above or paragraph 19(5) below

If the grantee of an option ceases to be an Eligible Participant other than by reason of his ill-health, injury, disability or death or his commitment of any of the acts specified in paragraph 19(5) below, the option (to the extent not already exercised) shall, subject to the determination of our Board by notice in writing to the grantee at any time before the date of such cessation, lapse on the date of such cessation and

not be exercisable provided that the grantee may exercise the option (to the extent not already exercised or to the extent specified in the notice from our Board to exercise such option) within such period as our Board may determine as aforesaid.

12. Rights on a general offer

If a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, the grantee (or his legal representative) shall be entitled by notice in writing to our Company to exercise the option in full (to the extent not already exercised) or to the extent specified in such notice at any time within one month after the date on which the offer becomes or is declared unconditional and/or sell or dispose of the Shares allotted or to be allotted to him in connection with the Share Option Scheme.

13. Rights on winding up

In the event a notice is given by our Company to the Shareholders to convene a Shareholders' meeting for the purposes of considering, and if thought fit approving, a resolution to voluntarily wind-up our Company, our Company shall give notice thereof to the grantee (or his legal personal representative(s)) who shall whereupon be entitled not later than two business days prior to the proposed Shareholders' meeting by notice in writing to our Company to exercise the option either to its full extent or to the extent specified in such notice of the grantee (or his legal personal representative(s)) and our Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed Shareholders' meeting, allot such number of Shares to the grantee which shall fall to be issued pursuant to the exercise of the option.

14. Rights on compromise or arrangement

If an application is made to the court (otherwise than where our Company is being voluntarily wound up) pursuant to the Companies Ordinance or analogous legislation of any other jurisdiction in connection with a proposed compromise or arrangement between our Company and its creditors (or any class of them) or between our Company and its Shareholders (or any class of them), the grantee may by notice in writing to our Company within 21 days after the date of such application, exercise the option in full (to the extent not already exercised) or to the extent specified in such notice.

15. Effect of alterations to capital structure

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, arising from capitalisation of profits or reserves, rights issues, consolidation, subdivision or reduction of the share capital of our Company, such corresponding alterations (if any) shall be made in:

(1) the subject matter of the option so far as unexercised; and/or

(2) the subscription price per Share,

as the Auditors shall certify in writing to our Board (except for any adjustments made on a capitalisation issue) either generally in respect of all options granted or specifically as regards any particular option(s) to be in their opinion fair and reasonable and confirming that the adjustments satisfy the requirements set out in the Listing Rules, provided that:

(a) any such alterations shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) it was before such event;

(b) no such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value;

(c) no such alterations shall be made the effect of which would be to increase or decrease the proportion of the issued share capital of our Company for which any grantee is entitled to subscribe pursuant to the options held by him if the Shares can be proportionate to an exact figure and, in case the Shares may not be perfectly proportionate to an exact figure, the proportion of the issued share capital of our Company to which a grantee is entitled after such alteration shall be adjusted to remain as nearly as possible the same to which he was entitled before such alteration (and in any event not greater than the same); and

(d) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such alterations.

16. Duration and administration of the Share Option Scheme

Subject to the early termination of the Share Option Scheme pursuant to the terms thereof, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further options shall be granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect and options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

The Share Option Scheme shall be subject to the administration of our Board whose decision (save as otherwise provided therein) shall be final and binding on all parties.

17. Alterations to the terms of the Share Option Scheme

The Share Option Scheme and the terms of any options (including amendments in order to comply with changes in legal or regulatory requirements) may be altered at any time and from time to time in any respect by resolution of our Board except that:

(1) the provisions relating to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of grantees or prospective grantees without the prior approval of the Shareholders in general meeting;

(2) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of the options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;

(3) the amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of Chapter 17 of the Listing Rules; and

(4) any change to the authority of our Directors or the administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting,

and no such alteration shall operate to affect adversely the terms of issue of any option granted but not exercised or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Shareholders under our Memorandum and Articles for the time being for a variation of the rights attached to the Shares as a class.

18. Cancellation of options

Our Board may cancel any option granted provided that our Board offers to grant to the grantee replacement options under the Share Option Scheme (or options under any Other Schemes) (subject to the limits described in paragraph 6).

Any cancellation of options granted and the granting of new options to the same grantee may only be made under the Share Option Scheme with available unissued options (excluding the cancelled options) within the General Scheme Limit as refreshed from time to time.

19. Lapse of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(1) subject to the circumstances mentioned in paragraph 10 above, the expiry of the Option Period;

(2) the determination of our Board or the expiry of the periods referred to in paragraphs 10, 11, 12, 13 and 14 above;

(3) subject to paragraph 13 above, the date of the commencement of the winding-up of our Company;

(4) subject to paragraph 14 above, the proposed compromise or arrangement becoming effective;

(5) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his employment on grounds that he has been guilty of serious misconduct, or has become bankrupt or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract. A resolution of our Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this sub-paragraph (5) shall be conclusive;

(6) the date on which the grantee commits a breach of paragraph 9 above, if our Board shall exercise our Company's right to cancel the same; and

(7) the date on which our Board shall at its absolute discretion determine that the grantee (other than an employee of any member of our Group) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and any member of our Group 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 creditors generally.

20. Termination

Our Board may terminate the Share Option Scheme at any time by resolving that no further options shall be granted under the Share Option Scheme. In such circumstances, no new offers to grant options under the Share Option Scheme shall

be made and any option which has been granted under the Share Option Scheme but not yet exercised shall continue to be exercisable subject to the terms of the Share Option Scheme.

21. Conditions

The Share Option Scheme is conditional on the conditions stated in the section headed ''Structure and Conditions of the Global Offering'' in this prospectus. All such conditions shall be deemed to be fulfilled in full on the Listing Date.

22. 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. Estate duty, tax and other indemnities

The Controlling Shareholders (the ''**Indemnifier**'') have entered into the Deed of Indemnity in favour of our Company (being a material contract referred to in the section headed ''B. Further Information About Our Business — 1. Summary of Material Contracts'' in this appendix) to provide the following indemnities in favour of our Company (for itself and as trustee for its subsidiaries).

Under the Deed of Indemnity, amongst others, the Indemnifier will indemnify our Company against taxation falling on any member of our Group resulting from, or relating to or in consequence of, any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the date when the Global Offering becomes unconditional. KTS International will also indemnify our Company against any direct damages, losses and liabilities arising from any and all of the non-compliances of any member of our Group with the Companies Ordinance as disclosed in this prospectus.

The Indemnifier will, however, not be liable under the Deed of Indemnity where, among others, (a) provision has been made for such taxation in the audited accounts of our Group or any member of our Group; (b) the taxation falling on our Group or any member of our Group in respect of any accounting period commencing on or after 31 December 2012 unless liability for such taxation would not have arisen but for one or more events entered into by our Group or any member of our Group otherwise than in

the course of normal day-to-day trading operations on or before the date on which the Global Offering becomes unconditional; (c) the taxation arises or is incurred as a result of a retrospective change in law or regulation or its interpretation or practice by the relevant tax authority coming into force after the date on which the Global Offering becomes unconditional; (d) the taxation arises or is increased by an increase in rates of taxation as a result of a change in law or regulation or its interpretation or practice by the relevant tax authority after the date on which the Global Offering becomes unconditional with retrospective effect; or (e) the taxation shall have been discharged by other person(s) to whom none of the members of our Group is obliged to reimburse such person(s) in respect of such discharge of taxation.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As at the date of this prospectus, save as disclosed in the section headed ''Business — Legal Proceedings'' in this prospectus, we are not involved in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group.

3. The Sole Sponsor

The Sole Sponsor has made an application on behalf of our 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, including any Shares that may be issued under the Over-allotment Option and any options which may be granted under the Share Option Scheme on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

4. Preliminary expenses

The estimated preliminary expenses incurred by our Company were approximately HK$33,000 and were payable by our Company.

5. Promoters

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding to the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to, any promoter in connection with the Global Offering or the related transactions described in this prospectus.

6. Qualifications of experts

The qualifications of the experts (as defined under the Listing Rules and the Companies Ordinance) who have given their opinions or advice in this prospectus are as follows:

Name	Qualification
RHB OSK Capital Hong Kong Limited	A licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified public accountants, Hong Kong auditors of our Company
Wilkinson & Grist	Hong Kong legal advisers to our Company
MdME | Lawyers | Private Notary	Macau legal advisers to our Company
Lee, Tsai & Partners Attorneys-at-Law	Taiwan legal advisers to our Company
Appleby	Cayman Islands legal advisers to our Company
Jun He Law Offices	PRC legal advisers to our Company
CBRE Limited	Independent Property Valuer

7. Consents

Each of RHB OSK Capital, Deloitte Touche Tohmatsu, Wilkinson & Grist, MdME | Lawyers | Private Notary, Lee, Tsai & Partners Attorneys-at-Law, Appleby, Jun He Law Offices and CBRE Limited, respectively, has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letters and/or valuation certificates and/or opinion and/or the references to its name included in this prospectus in the form and context in which they are included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Share register

The register of members of our Company will be maintained in the Cayman Island by the Cayman Share Registrar and a branch register of members will be maintained in Hong Kong by the Hong Kong Share Registrar. Unless our Directors

otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Hong Kong Share Registrar in Hong Kong and may not be lodged in the Cayman Islands.

9. Miscellaneous

Save as disclosed in this prospectus:

(a) none of our Directors or chief executive of our Company has any interests and short positions in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, under section 352 of the SFO, to be entered into the register referred to in that section, or will be required, under the Model Code for Securities Transactions by Directors of Listed Companies to be notified to us and the Stock Exchange, in each case once our Shares are listed;

(b) none of our Directors nor any of the parties listed in the section headed ''E. Other Information — 6. Qualifications of Experts'' in this appendix has any direct or indirect interest in the promotion of our Company or any of our subsidiaries, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;

(c) none of our Directors nor any of the parties listed in the section headed ''E. Other Information — 6. Qualifications of Experts'' in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(d) save for the Underwriting Agreements, none of the parties listed in the section headed ''E. Other Information — 6. Qualifications of Experts'' in this appendix:

  (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or

  (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities;

(e) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought from any other stock exchange;

(f) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(g) we have not issued or agreed to issue any founder shares, management shares or deferred shares;

(h) we have no outstanding convertible debt securities;

(i) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special items have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries and we have not issued or agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(j) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in or debentures of our Company;

(k) no amount or securities or benefit has been paid or allotted or given within the two years preceding the date of this prospectus to any of our promoters nor is any such securities or amount or benefit intended to be paid or allotted or given;

(l) there is no arrangement under which future dividends are waived or agreed to be waived;

(m) the Global Offering does not involve the exercise of any right of pre-emption or the transfer of subscription rights;

(n) as at the date of this prospectus, there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong;

(o) there has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 12 months preceding the date of this prospectus;

(p) the English text of this prospectus shall prevail over the Chinese text;

(q) none of our Company or any of our subsidiaries is presently listed on any stock exchange or traded on any trading system; and

(r) our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately after 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 upon the

exercise of the Over-allotment Option and options granted under the Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Taxation of holders of Shares

The sale, purchase and transfer of Shares registered on our Company's Hong Kong branch 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. 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. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering 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.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

No stamp duty is payable on the Cayman Islands on transfer of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

13. No material adverse change

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2012 (being the date to which the latest audited consolidated financial statements of our Group were made up).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **PINK**, **WHITE**, **YELLOW** and **GREEN** application forms, the written consents referred to in the section headed ''E. Other Information — 7. Consents'' in Appendix V to this prospectus and copies of the material contracts referred to in the section headed ''B. Further Information About Our Business — 1. Summary of Material Contracts'' in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Wilkinson & Grist at 6th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

(i) our Memorandum and Articles;

(ii) the Accountants' Report on our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

(iii) the report received from Deloitte Touche Tohmatsu relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(iv) the audited consolidated financial statements of S. Culture BVI and its subsidiaries for each of the three financial years ended 31 December 2012;

(v) the Hong Kong legal opinion issued by Wilkinson & Grist, our Hong Kong legal advisers, in respect of certain matters of our Group in Hong Kong;

(vi) the Macau legal opinion issued by MdME | Lawyers | Private Notary, our Macau legal advisers, in respect of certain matters of our Group in Macau;

(vii) the Taiwan legal opinion issued by Lee, Tsai & Partners Attorneys-at-Law, our Taiwan legal advisers, in respect of certain matters of our Group in Taiwan;

(viii) the PRC legal opinion issued by Jun He Law Offices, our PRC legal advisers, in respect of certain matters of our Group in the PRC;

(ix) the letter, summary of values and valuation certificates relating to our property interests prepared by CBRE Limited, the text of which is set out in Appendix III to this prospectus;

(x) the material contracts referred to in the section headed ''B. Further Information About Our Business — 1. Summary of Material Contracts'' of Appendix V to this prospectus;

(xi) the service contracts with Directors, referred to in the section headed ''C. Further Information About Our Directors, Substantial Shareholders and Experts — 3. Particulars of Service Contracts'' in Appendix V to this prospectus;

(xii) the written consents referred to in the section headed ''E. Other Information — 7. Consents'' in Appendix V to this prospectus;

(xiii) the letter prepared by Appleby summarising certain aspects of Companies Law referred to in Appendix IV to this prospectus;

(xiv) the Companies Law; and

(xv) the rules of the Share Option Scheme.



S. CULTURE INTERNATIONAL HOLDINGS LIMITED
港大零售國際控股有限公司