國際家居零售有限公司
International Housewares Retail Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1373



Global Offering



Sole Sponsor

BOC INTERNATIONAL

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

BOC INTERNATIONAL

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

International Housewares Retail Company Limited
國際家居零售有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	**:**	**216,000,000 Shares comprising 180,000,000 New Shares and 36,000,000 Sale Shares (subject to adjustment and the Over-Allotment Option)**
Number of Hong Kong Public Offer Shares	**:**	**21,600,000 New Shares (subject to adjustment and reallocation)**
Number of International Placing Shares	**:**	**194,400,000 Shares comprising 158,400,000 New Shares and 36,000,000 Sale Shares (subject to adjustment and reallocation and the Over-Allotment Option)**
Maximum Offer Price	**:**	**HK$2.81 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)**
Nominal value	**:**	**HK$0.10 per Share**
Stock code	**:**	**1373**

Sole Sponsor

BOC INTERNATIONAL

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

BOC INTERNATIONAL

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 the 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 "Appendix V – Documents Delivered to the Registrar of Companies and Available for Inspection", has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

See "Risk Factors" for a discussion of certain risks that you should consider before investing in the Shares. Before making an investment decision, prospective investors should consider carefully all information set out in this prospectus.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Selling Shareholder and us on the Price Determination Date. The Price Determination Date is expected to be on or about Tuesday, 17 September 2013 and, in any event not later than Thursday, 19 September 2013. The Offer Price will not be more than HK$2.81 per Offer Share and is currently expected to be not less than HK$2.22 per Offer Share, unless otherwise announced. Applicants for Hong Kong Public Offer Shares are required to pay, upon application, the maximum Offer Price of HK$2.81 for each Hong Kong Public Offer Share together with a brokerage fee of 1%, a SFC transaction levy of 0.003% and a Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$2.81 per Offer Share. If, for any reason, the Offer Price is not agreed by Thursday, 19 September 2013 between the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Selling Shareholder and us, the Global Offering will not proceed and will lapse.

The obligations of the Hong Kong Underwriter under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

12 September 2013

We will issue an announcement in Hong Kong to be published in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese), the website of our Company at **www.japanhome.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk** if there is any change in the following expected timetable of the Hong Kong Public Offering.

Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on 17 September 2013
Application lists open[3]	11:45 a.m. on 17 September 2013
Latest time to lodge **WHITE** and **YELLOW** Applications Forms and give **electronic application instructions** to HKSCC[4]	12:00 noon on 17 September 2013
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on 17 September 2013
Application lists close[3]	12:00 noon on 17 September 2013
Expected Price Determination Date [5]	17 September 2013
(1) Announcement of the Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	24 September 2013
(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available as described in the section headed "How to Apply for the Hong Kong Public Offer Shares – Publication of Results" of this prospectus	24 September 2013
(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk**[6] and our Company's website at **www.japanhome.com.hk** from	24 September 2013
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function from	24 September 2013
Despatch of Share certificates on or before[7]	24 September 2013
Despatch of White Form e-Refund payment instructions and refund cheques on or before[8]	24 September 2013
Dealings in the Shares on the Stock Exchange to commence on	25 September 2013

Notes:

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

(2) You will not be permitted to submit your application through the **White Form eIPO** Service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m. on the last day for submitting applications, 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 numbered eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 17 September 2013, the application lists will not open and close on that day. Further information is set out in the section headed "How to Apply for the Hong Kong Public Offer Shares – Effect of Bad Weather on the Opening of the Application Lists" of this prospectus. If the application lists do not open and close on 17 September 2013, the dates mentioned in this section may be affected. An announcement will be made by us in such event.

(4) Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for the Hong Kong Public Offer Shares – Applying by Giving Electronic Application Instructions to HKSCC via CCASS" of this prospectus.

(5) We expect to determine the Offer Price by agreement with the Sole Global Coordinator (for itself on behalf of the Underwriters) and the Selling Shareholder on the Price Determination Date. The Price Determination Date is expected to be on or around 17 September 2013 and, in any event, no later than 19 September 2013. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself on behalf of the Underwriters), the Selling Shareholder and us by 19 September 2013, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

(6) The announcement will be available for viewing on the "IPO Allotment Results" page on the Stock Exchange's website at **www.hkexnews.hk**.

(7) Share certificates for the Hong Kong Public Offer Shares are expected to be issued on 24 September 2013 but will only become valid certificates of title if: (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with their respective terms at any time prior to 8:00 a.m. on the Listing Date, which is expected to be 25 September 2013. Investors who trade Shares on the basis of publicly available allocation details or 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. If the Global Offering does not become unconditional or any of the Underwriting Agreements are terminated in accordance with their respective terms, we will make an announcement as soon as possible.

(8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications, and in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application.

(9) None of the websites referred to above or any of the information contained on these websites forms part of this prospectus.

For details of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Public Offer Shares, see the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Public Offer Shares" of this prospectus, respectively.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by the Company, the Selling Shareholder, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, any of the Underwriters, any of their respective directors, officers or representatives or any other person or party involved in the Global Offering.

Page

Expected Timetable i

Contents iii

Summary and Highlights 1

Definitions 11

Forward-Looking Statements 22

Risk Factors 23

Waiver from Strict Compliance with the Listing Rules 42

Information about this Prospectus and the Global Offering 43

Directors and Parties Involved in the Global Offering 46

Corporate Information 49

History and Development, Reorganisation and Group Structure 51

Industry Overview 63

Business 79

Regulations 125

Financial Information 132

Relationship with Controlling Shareholders 180

Connected Transactions 184

Directors and Senior Management 195

Substantial Shareholders 207

CONTENTS

Page

Share Capital 208

Future Plans and Use of Proceeds 211

Cornerstone Investor 213

Underwriting 215

Structure of the Global Offering 224

How to Apply for the Hong Kong Public Offer Shares 234

Further Terms and Conditions of the Hong Kong Public Offering 253

Appendix I – Accountant's Report I-1

Appendix II – Unaudited Pro Forma Financial Information II-1

Appendix III – Summary of the Constitution of the Company and Cayman Islands Company Law III-1

Appendix IV – Statutory and General Information IV-1

Appendix V – Documents Delivered to the Registrar of Companies and Available for Inspection V-1

BUSINESS OVERVIEW

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

Housewares specialised stores, which comprise housewares retail chains and mom-and-pop housewares stores, primarily offer housewares products. Housewares retail chains, which specialise in and offer a wide range of housewares products, are a primary retail channel for housewares products. We had a market share of approximately 49.0% and 10.4% of the housewares specialised stores market in Hong Kong and Singapore, respectively, and a market share of approximately 69% and 75% of the housewares retail chains market in Hong Kong and Singapore, respectively, in the calendar year 2012, according to the Frost & Sullivan Report.

Our Stores

The following table sets forth the number of our stores worldwide during the Track Record Period:

	As at 30 April						
	2011	Net change	2012	Net change	2013	Net change	As at the Latest Practicable Date
Our stores							
Hong Kong[1]	213	7	220	10	230	5	235
Singapore[2]	–	23	23	9	32	6	38
West Malaysia[3]	–	4	4	5	9	–	9
PRC[4]	–	5	5	2	7	(1)	6
Macau[3]	–	–	–	5	5	–	5
	213	39	252	31	283	10	293
Our licenced stores							
East Malaysia[3]	2	–	2	–	2	–	2
Saudi Arabia[5]	5	–	5	–	5	–	5
United Arab Emirates[3]	2	–	2	(2)	–	–	–
New Zealand[3]	1	–	1	–	1	–	1
Indonesia[3]	–	–	–	1	1	–	1
Cambodia[3]	–	–	–	–	–	1	1
Total	223	39	262	30	292	11	303

(1) These stores include Japan Home Centre, City Life and Epo Gifts & Stationery stores.

(2) These stores include Japan Home stores.

(3) These stores include Japan Home Centre stores.

(4) These stores include Living Plus stores.

(5) These stores include Japan Home Centre and Epo Gifts & Stationery stores.

See "Business – Our Retail Network", "Business – Our Hong Kong Operations" and "Business – Our Non-Hong Kong Operations" for more information on our retail network.

Our Planned Expansion

Since our establishment in 1991, we have built a strong brand in Hong Kong and Singapore. We operated 204, 213, 252 and 283 stores as at 30 April 2010, 2011, 2012 and 2013, respectively, in Hong Kong, Singapore, West Malaysia, the PRC and Macau. We plan to increase our number of stores by 40 in Hong Kong, 70 in Singapore, 50 in West Malaysia, 25 in the PRC and 15 in Macau by 30 April 2016. We believe that the increasing GDP and rising levels of disposable income in Hong Kong, Singapore, West Malaysia, the PRC and Macau will drive demand for housewares products in those regions. While we expect that our Hong Kong operations will still contribute the majority of our revenue with its large number of stores, we believe that our entry into the other regions strategically positions us in the housewares retail chain industry in these regions as demand for housewares products increases with rising levels of disposable income. We believe our stable Hong Kong and Singapore operations will provide support for our West Malaysia and PRC operations due to geographical proximity. As we open more stores in West Malaysia and the PRC, where we are currently incurring net losses, we will achieve greater economies of scale, which we expect will drive our revenue and profit.

See "Business – Planned Expansion" for further details about our expansion plans, "Business – Internal Control Procedures and Cash Management – Overseas Expansion Risk Management" for information on our internal controls and risk management measures related to expansion outside Hong Kong, and "Financial Information – Capital Expenditures" for a breakdown of estimated capital expenditures associated with our planned expansion.

We will expand our operations by leveraging on the strength of our brand, our substantial industry experience and our extensive global supplier network. We will also continue to diversify the products that we offer at our stores in order to capture additional market opportunities and to expand our customer base.

Our Products

We offer a full range of quality housewares products which can be broadly divided into 11 primary categories. Our Japan Home Centre and Japan Home stores offer a wide range of products, including kitchenware, plasticware, household electronics and other household items for daily use. Our Living Plus stores offer a smaller range of products, which include housekeeping, interior and small furniture, kitchenware and personal and health items. Our City Life stores offer the full range of products offered by our Japan Home Centre and Japan Home stores, in addition to certain higher-end housewares products. Our Epo Gifts & Stationery stores

offer a variety of stationery items, small toys and accessories, travel accessories, books and household items. The following table sets forth our retail revenue attributable to each of our primary merchandise categories during the Track Record Period:

	Financial year ended 30 April					
Merchandise	**2011**		**2012**		**2013**	
	(HK$ thousands, except for percentages)					
Household electronics	199,298	20.3%	247,511	21.1%	301,591	20.7%
Housekeeping	188,143	19.2%	234,785	20.1%	284,453	19.5%
Plasticware	116,092	11.8%	131,791	11.3%	162,206	11.1%
Kitchenware	91,564	9.3%	109,052	9.3%	129,704	8.9%
Stationery	88,057	9.0%	101,955	8.7%	122,713	8.4%
DIY & hardware	58,388	6.0%	74,877	6.4%	104,174	7.2%
Interior and textile	72,400	7.4%	72,807	6.2%	88,987	6.1%
Personal & health	50,286	5.1%	70,954	6.1%	86,720	6.0%
Tableware	43,852	4.5%	53,167	4.5%	66,594	4.6%
Interior and small furniture	41,522	4.2%	38,909	3.3%	58,545	4.0%
Others	31,108	3.2%	34,841	3.0%	51,011	3.5%
Total	980,710	100.0%	1,170,649	100.0%	1,456,698	100.0%

KEY OPERATIONAL DATA

Revenue

The following table sets forth our revenue by geographic segments for the periods indicated:

	Financial year ended 30 April					
	2011		**2012**		**2013**	
	(HK$ thousands, except for percentages)					
Revenue						
Hong Kong	1,017,566	100%	1,154,175	95.3%	1,334,098	89.0%
Singapore	–	–	53,698	4.4%	146,221	9.8%
West Malaysia	–	–	3,178	0.2%	13,220	0.9%
The PRC	–	–	171	0.1%	2,929	0.2%
Macau	–	–	–	–	2,205	0.1%
Total	1,017,566	100%	1,211,222	100%	1,498,673	100.0%

Product Sourcing

Our products comprise private label products, internationally sourced products, in-house manufactured products and Hong Kong sourced products purchased from over 650 suppliers in 13 regions. “Private label products” are custom manufactured for us by over 250 manufacturers in accordance with our requests and specifications and available for sale exclusively in our stores. We either enter into agreements with the manufacturers, specifying the design and quantity, for our private label products, or authorize manufacturers to use our private labels on specific products. “Internationally sourced products” are products that we purchase from our global suppliers, on an as-needed basis pursuant to purchase orders, in jurisdictions such as Japan, Korea, Thailand, Taiwan, Malaysia, the PRC, Europe and the Americas. “In-house

manufactured products" are products that we design and manufacture in-house at our manufacturing facilities in Hong Kong. "Hong Kong sourced products" are products that we purchase from Hong Kong suppliers, including distributors, brand agents and direct representatives of international brands. We typically make our purchases from these suppliers pursuant to purchase orders, which are governed by standard agreements. See "Business – Our Merchandise."

The following table sets forth our retail revenue breakdown in Hong Kong by source:

	Financial year ended 30 April					
	2011		2012		2013	
	(HK$ thousands, except for percentages)					
Private label	281,680	28.7%	351,668	31.6%	392,405	30.4%
Internationally sourced	159,479	16.3%	212,402	19.1%	269,887	20.9%
In-house manufactured	15,680	1.6%	18,394	1.6%	19,979	1.5%
Hong Kong sourced	523,871	53.4%	531,138	47.7%	609,977	47.2%
Total	980,710	100.0%	1,113,602	100.0%	1,292,248	100.0%

Gross Profit Margins

Our gross profit margin is significantly affected by our pricing strategy and cost of sales, which in turn are affected by our product mix and sourcing. Our gross profit margin was 42.4%, 44.5% and 46.1% for the financial years ended 30 April 2011, 2012 and 2013, respectively. This increase was primarily attributable to our strategy of increasing the amount of private label products and internationally sourced products with higher margins. The following table sets forth the gross profit margins from our Hong Kong retail business by source:

	Financial year ended 30 April		
	2011	2012	2013
Private label	54.9%	55.4%	55.6%
Internationally sourced	53.6%	53.4%	54.7%
In-house manufactured	69.2%	65.3%	67.1%
Hong Kong sourced	31.7%	32.9%	34.1%

See "Financial Information – Description of Selected Components of Our Statements of Comprehensive Income – Gross Profit, Gross Profit Margin, Net Profit and Net Profit Margin."

Our Customers

Our customers are primarily retail customers. During the Track Record Period, our top five customers were our export customers and our licenced stores. Our top five customers included the stores in Macau, which we acquired in April 2013 and therefore will not be considered one of our customers going forward. During the Track Record Period, our top five customers accounted for 2.8%, 2.6% and 2.1% of total revenue of our Group in each of the financial years ended 30 April 2011, 2012 and 2013, respectively.

Comparable Store Sales and Breakeven

Comparable store sales growth represents a comparison between the store sales of those stores that were open throughout the years being compared. For example, comparable stores for the financial years ended 30 April 2011 and 2012 are stores that were open throughout both the financial years ended 30 April 2011 and 2012. The following table sets forth our comparable store sales growth of our Hong Kong stores over the Track Record Period:

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

Our first full financial year of operations in Singapore, West Malaysia and the PRC was the financial year ended 30 April 2013. Our first full financial year of operations in Macau will be the financial year ending 30 April 2014. Therefore, we have no comparable store sales data for our operations in these regions during the Track Record Period.

We achieved breakeven for 97 out of the 100 new stores we opened in Hong Kong and other jurisdictions during the Track Record Period. These stores generally achieved breakeven in less than two months.

See "Financial Information – Factors Affecting Our Results of Operations – Number of Stores in Operation" and "Financial Information – Factors Affecting Our Results of Operations – Comparable Store Sales" for more information.

OUR INDUSTRY

According to the Frost & Sullivan Report, the Hong Kong housewares products market grew from HK$5.2 billion in 2007 to HK$8.5 billion in 2012, representing a CAGR of 10.4%. The growth in the Hong Kong housewares products market was faster than Hong Kong's nominal GDP growth over the same years, driven by the increase in disposable income, improved standards of living and the increasing demand for higher quality products. The housewares products market includes various retail channels, such as housewares retail chains and mom-and-pop housewares stores. Together, housewares retail chains and mom-and-pop housewares stores comprise the housewares specialised stores market. We operate in the housewares specialised stores market, and as a housewares retail chain, are a key market participant. The housewares retail chains market, which comprises retailers that specialise in and offer a wide range of housewares products through a network of multiple retail stores, increased from 20.0% of the total retail sales of housewares products in 2007 to 21.0% in 2012, and is expected to further increase to 21.8% in 2016. The housewares retail chains markets in Hong Kong, Singapore and Macau are dominated by a few market participants.

In the PRC, the housewares products market grew from HK$263.5 billion in 2007 to HK$655.3 billion in 2012, representing a CAGR of 20.0%, and is expected to grow at a CAGR of 19.2% to HK$1,323.4 billion in 2016. In Malaysia, the housewares products market grew from HK$7.8 billion in 2007 to HK$12.7 billion in 2012, representing a CAGR of 10.3%, and is expected to grow further to HK$18.4 billion in 2016, representing a CAGR of 9.7%.

We believe that the size and projected growth of the housewares products markets present us with growth opportunities in these regions.

COMPETITIVE STRENGTHS

We believe that the following key strengths distinguish us from our competitors and contribute to our ability to compete effectively:

- our position as a market leader with an iconic brand;
- our extensive retail network with a proven track record of stable growth;
- our large global supplier network;
- our unique private label products with higher profit margins;
- our proven track record of expansion through a standardised yet flexible operational model; and
- our dynamic, enterprising and experienced management team.

BUSINESS STRATEGIES

We plan to implement the following strategies to maintain our leading market position as a housewares retail chain, increase our market share and grow our business:

- further expand our retail network outside Hong Kong with a focus on Singapore, West Malaysia and Macau;
- further expand our operations in the PRC;
- diversify our stores and customer base to maintain stable growth and profitability in Hong Kong;
- continue to adjust our product mix to optimise profit margins; and
- improve the efficiency of our logistics.

RISK FACTORS

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” of this prospectus. You should read the entire section before you decide to invest in the Offer Shares.

We expect to incur capital expenditures to implement our expansion plans. If our expansion plans prove to be unsuccessful, our cash flows and profitability may be materially and adversely affected. In any event, we may not maintain our current rate of expansion in Hong Kong, as we do not open new stores that could or would be expected to materially impact the sales or customer traffic in our existing stores, and as a result there may be limitations in the number of stores we are able to open in Hong Kong in the future. Furthermore, because we only opened our first retail store in West Malaysia in 2011 and entered the PRC market in 2012, our operations in these markets are still at relatively early stages of development, and may be less successful than we anticipate.

We rent the retail spaces for all of our stores, and the success of our retail operations depends partly on our ability to secure and renew affordable tenancy agreements in quality locations. We are also exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs, which could increase our operating expenses.

Our business depends significantly on the market recognition and strength of our Japan Home Centre, City Life, Epo Gifts & Stationery and Japan Home brands, and any damage to our brands could materially and adversely affect our business and results of operations.

SELECTED FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

	Financial year ended 30 April		
	2011	2012	2013
		(HK$ thousands)	
Revenue	1,017,566	1,211,222	1,498,673
Cost of sales	(586,150)	(672,831)	(808,223)
Gross profit	431,416	538,391	690,450
Profit before income tax	75,336	103,931	128,108
Income tax expense	(12,890)	(17,401)	(24,939)
Profit for the year	62,446	86,530	103,169
Profit for the year attributable to:			
Equity holders of the Company	62,096	85,432	101,527
Non-controlling interests	350	1,098	1,642

Combined Balance Sheets

	As at 30 April		
	2011	2012	2013
		(HK$ thousands)	
Current assets	296,146	275,924	417,014
Current liabilities	230,119	221,001	279,923
Net current assets	66,027	54,923	137,091
Net assets	135,392	178,109	282,994
Total assets	371,802	399,799	567,077

Combined Statements of Cash Flows

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

OFFERING STATISTICS

Market capitalisation at Listing	HK$1,598 million to HK$2,023 million (without taking into account any Shares which may be issued upon exercise of any options that have been granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme)
Offer size	Initially 30% of the enlarged issued share capital of our Company immediately upon completion of the Global Offering and the Capitalisation Issue (assuming the Over-Allotment Option is not exercised, and without taking into account any Shares which may be issued upon exercise of any options that have been granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme) The Global Offering comprises: (i) the Hong Kong Public Offering of initially 21,600,000 Hong Kong Public Offer Shares (subject to adjustment and reallocation) which are all New Shares; and (ii) the International Placing of initially 194,400,000 International Placing Shares (subject to adjustment and reallocation and the Over-Allotment Option). Such International Placing Shares in turn comprise, initially, 158,400,000 New Shares offered by our Company and 36,000,000 Sale Shares (subject to the Over-Allotment Option) offered by the Selling Shareholder. All the New Shares and the Sale Shares initially available under the Global Offering represent 25% and 5%, respectively, of the enlarged issued share capital of our Company immediately upon completion of the Global Offering and the Capitalisation Issue (assuming the Over-Allotment Option is not exercised, and without taking into account any Shares which may be issued upon exercise of any options that have been granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme)

Offering structure	10% Hong Kong Public Offering and 90% International Placing (subject to adjustment and reallocation and the Over-Allotment Option)
Over-Allotment Option	Up to 15% of the number of Offer Shares initially available under the Global Offering, to be sold by the Selling Shareholder
Offer Price per Share	HK$2.22 to HK$2.81
Board lot	1,000 Shares
Use of proceeds (assuming an Offer Price of HK$2.52 per Share (being the mid-point of the indicative Offer Price range))	Net proceeds receivable by our Company from the offer of the New Shares will amount to approximately HK$411.5 million, after deducting underwriting fees and commissions and estimated expenses paid and payable by the Company, which is intended to be utilised as follows: • approximately HK$215.6 million, or approximately 52.4% of such net proceeds, will be used to fund our 200 new store openings in Hong Kong and other jurisdictions in the three financial years ending 30 April 2016. We expect the total capital expenditures for opening these new stores to total approximately HK$95.4 million, and we will use the excess amount from this portion of the net proceeds to finance the purchase of additional inventories and the payment of rental deposits for these new stores; • approximately HK$39.1 million, or approximately 9.5% of such net proceeds, will be used for the ongoing renovation of our existing stores in Hong Kong and Singapore. We expect the total capital expenditures for these renovations to total approximately HK$47.4 million, and we will finance the shortfall from our internally generated funds; • approximately HK$82.7 million, or approximately 20.1% of such net proceeds, will be used to improve our logistics and warehousing, including the rental of an additional warehouse in Hong Kong and the rental of property for, and construction of, a warehouse in Guangzhou. We expect the total capital expenditures for these improvements, which include rental expenses, construction costs and the cost to purchase shelves and other furnishings or equipment, to total approximately HK$100.0 million, and we will finance the shortfall from our internally generated funds; • approximately HK$32.9 million, or approximately 8.0% of such net proceeds, will be used to improve and upgrade our information technology systems; and • the remaining HK$41.2 million, or approximately 10.0% of such net proceeds, to be used for working capital and other general corporate purposes.

As the Over-Allotment Option is granted by the Selling Shareholder, and not our Company, our Company will not receive any proceeds from any exercise of the Over-Allotment Option.

DIVIDEND POLICY

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

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

NON-COMPLIANCE

We are required to obtain licences and approvals for our store operations in certain jurisdictions in which we operate. Our Directors confirm that the Company has obtained all material licenses and permits required to operate its business in Hong Kong, Singapore, West Malaysia and Macau. However, we have not obtained certain of the required approvals in the PRC. Our Directors confirm that our Group will obtain all necessary licences, approvals, permits and certificates from the relevant government authorities before any new store begins operations. See "Risk Factors – Risks Related to Our Business – We have not obtained some of the required licences and approvals for our store operations in some of the jurisdictions in which we operate", "Risk Factors – Risks Related to Our Business – We have previous incidents of non-compliance with the Companies Ordinance" and "Business – Regulatory Compliance" for more information.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

As at 31 July 2013, our Directors confirm that our gross profit margins and net profit margins did not fluctuate significantly from our results during the Track Record Period.

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

In this prospectus, the following terms have the following meanings unless the context otherwise requires.

"Application Form(s)"	**WHITE** Applications Form(s), **YELLOW** Application Form(s) and **GREEN** Applications Form(s), individually or collectively, as the context may require
"Articles" or "Articles of Association"	our articles of association, a summary of which is contained in Appendix III to this prospectus
"associate"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors" or "our Board"	the board of directors of our Company
"BOCI Asia Limited"	BOCI Asia Limited, a licensed corporation under the SFO for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of 530,000,000 Shares upon capitalisation of certain sums standing to the credit of the share premium account of the Company in connection with the Listing
"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 Internet System"	the website operated by HKSCC to enable CCASS Investor Participants and, upon authorization by a CCASS Clearing Participant or a CCASS Custodian Participant, stock segregated account statement recipients of that CCASS Clearing Participant or CCASS Custodian Participant to access CCASS

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"CCASS Phone System"	the interactive voice response system operated by HKSCC for enabling CCASS Investor Participants and, upon authorization by a CCASS Clearing Participant or a CCASS Custodian Participant, statement recipients of that CCASS Clearing Participant or CCASS Custodian Participant to access CCASS
"Companies Law"	The Companies Law (2012 Revision) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our", "we", or "us"	International Housewares Retail Company Limited (國際家居零售有限公司), a company incorporated under the laws of the Cayman Islands on 18 April 2013 as an exempted company with limited liability and, except where the context otherwise requires, all of its subsidiaries
"comparable store sales growth"	a comparison between the store sales of those stores that were open throughout the years being compared
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, means the controlling Shareholders of our Company, namely Mr. Lau, Ms. Ngai and Hiluleka. See the section headed "Relationship with Controlling Shareholders" of this prospectus
"Cornerstone Investor"	has the meaning ascribed to it under the section headed "Cornerstone Investor" of this prospectus
"Cornerstone Placing"	has the meaning ascribed to it under the section headed "Cornerstone Investor" of this prospectus
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules

"Director(s)" or "our Director(s)"	the director(s) of our Company or any one of them
"EQT"	EQT Holdings AB and/or the general partners and managers of the various EQT branded funds (as the context requires)
"EQT Greater China II"	EQT Greater China II Limited, a limited liability company organised under the laws of the Island of Guernsey on 23 September 2005, with its registered office at National Westminster House, Le Truchot, St Peter Port, Guernsey GY1 3RA, Channel Islands, acting in its capacity as general partner of EQT GC II GP LP, in turn acting in its capacity as (1) general partner of EQT Greater China II Limited Partnership and (2) manager of the EQT Greater China II Co-Investment Scheme (together, the "EQT GC II Fund"). The EQT GC II Fund is the ultimate beneficial owner and controller of Red Home
"EQT Partners"	EQT Partners AB and certain of its subsidiaries which act as investment advisers to EQT
"Familj"	Familj (China) Limited, a company incorporated in Hong Kong with limited liability on 7 November 2011 and an indirect subsidiary of our Company which is owned as to 85.6% by JHC (Management)
"Frost & Sullivan Report"	an independent market research report commissioned by the Company on the housewares retail chains markets in Hong Kong, Singapore, Malaysia , the PRC and Macau dated 9 September 2013
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Placing
"Greater China"	the PRC, Hong Kong, Macau and Taiwan
"GREEN application form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, designated by the Company
"Group" or "our Group"	our Company and its subsidiaries
"HIBOR"	Hong Kong Interbank Offered Rate

"Hiluleka"	Hiluleka Limited, a limited liability company incorporated under the laws of the BVI on 11 August 2006, which is owned as to 50% by Mr. Lau and 50% by Ms. Ngai
"HK$"	Hong Kong dollars and cents, the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Public Offer Shares"	the 21,600,000 Shares being initially offered by our Company for subscription under the Hong Kong Public Offering (subject to adjustment and reallocation as described in the section headed "Structure of the Global Offering" of this prospectus)
"Hong Kong Public Offering"	the offer by our Company of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong as described in the section headed "Structure of the Global Offering" of this prospectus at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% of the Offer Price) and on and subject to the terms and conditions stated in this prospectus and the Application Forms
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong sourced products"	products that we purchase from Hong Kong suppliers, including distributors, brand agents and direct representatives of international brands
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriter"	the underwriter of the Hong Kong Public Offering named in the section headed "Underwriting – Hong Kong Underwriter" of this prospectus

"Hong Kong Underwriting Agreement"	the conditional underwriting agreement dated 11 September 2013 relating to the Hong Kong Public Offering entered into by, among others, our Company and the Hong Kong Underwriter
"Independent Third Party(ies)"	a party or parties which is or are not connected (as defined in the Listing Rules) to our Directors, substantial shareholders or chief executives of our Company, our subsidiaries or any of their respective associates
"in-house manufactured products"	products that we design and manufacture in-house at our manufacturing facilities in Hong Kong
"International Placing"	the conditional placing by the International Underwriter of the International Placing Shares outside the United States in offshore transactions in reliance on Regulation S, including to professional and institutional investors in Hong Kong, details of which are described in the section headed "Structure of the Global Offering" of this prospectus and on and subject to the terms and conditions stated in the International Placing Agreement
"International Placing Agreement"	the conditional placing agreement related to the International Placing to be entered into by, among others, our Company, the Selling Shareholder and the International Underwriter on or about the Price Determination Date
"International Placing Shares"	the 194,400,000 Shares, comprising 158,400,000 New Shares being initially offered by our Company for subscription and 36,000,000 Sales Shares being initially offered by the Selling Shareholder for purchase at the Offer Price under the International Placing (subject to adjustment and reallocation as described in the section headed "Structure of the Global Offering" of this prospectus) together with (unless the context otherwise requires) any Sale Shares as may be offered pursuant to any exercise of the Over-Allotment Option
"International Underwriter"	the underwriter of the International Placing, who is expected to enter into the International Placing Agreement

"internationally sourced products"	products that we purchase from our global suppliers, including international manufacturers and brand owners in jurisdictions such as Japan, Korea, Thailand, Taiwan, Malaysia, the PRC, Europe and the Americas
"JHC (China)"	JHC (China) Limited, a company incorporated in Hong Kong with limited liability on 24 October 2011 and an indirect wholly-owned subsidiary of our Company
"JHC (HK)"	Japan Home Centre (H.K.) Limited, a company incorporated in Hong Kong with limited liability on 16 May 1995 and an indirect wholly-owned subsidiary of our Company
"JHC (International)"	JHC (International) Limited, a company incorporated in Hong Kong with limited liability on 17 May 2000 and an indirect wholly-owned subsidiary of our Company
"JHC (Macau)"	Japan Home Centre (Macau) Single-Member Company Limited (formerly known as Japan Home Centre (Macau) Company Limited), a single member company incorporated in Macau on 12 September 1996 and an indirect wholly-owned subsidiary of our Company
"JHC (Malaysia)"	JHC Retail (M) Sdn Bhd, a company incorporated in Malaysia on 12 August 2011 and an indirect subsidiary of our Company which is owned as to 58.25% by JHC (Management)
"JHC (Management)"	Japan Home Centre (Management) Limited, a company incorporated in Hong Kong with limited liability on 16 May 1995 and an indirect wholly-owned subsidiary of our Company
"JHC (Mirror)"	JHC (Mirror) Limited, a company incorporated in Hong Kong with limited liability on 21 October 2009 and an indirect subsidiary of our Company which is owned as to 60% by Matusadona
"JHC (Plastics)"	JHC (Plastics) Limited, a company incorporated in Hong Kong with limited liability on 9 November 2006 and an indirect subsidiary of our Company which is owned as to 60% by Matusadona
"JHC (Singapore)"	Japan Home (Retail) Pte. Ltd., a company incorporated in Singapore on 8 September 2011 and an indirect subsidiary of our Company which is owned as to 60% by JHC (Management)

"JHC (Taiwan)"	JHC (Taiwan) Limited, a company incorporated in Taiwan on 2 November 2009 and an indirect wholly-owned subsidiary of our Company
"Latest Practicable Date"	4 September 2013, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"LIBOR"	London Interbank Offered Rate
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about 25 September 2013, on which the Shares are listed and from which dealings in the Shares are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Living Plus (Nanjing)"	Living Plus (Nanjing) Limited (易生活(南京)百貨有限公司), a wholly foreign owned enterprise established under the laws of the PRC on 2 March 2012 which is a subsidiary of the Company indirectly owned as to 85.6% by the Company
"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 of and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Matusadona"	Matusadona Investments Limited, a limited liability company incorporated under the laws of the BVI on 15 August 2006, which is a wholly-owned subsidiary of the Company
"Memorandum" or "Memorandum of Association"	our memorandum of association
"MOP"	Macanese pataca, the lawful currency of Macau

"Mr. Lau"	Mr. Lau Pak Fai Peter, our co-founder, chief executive officer, chairman and an executive Director
"Ms. Ngai"	Ms. Ngai Lai Ha, our co-founder, vice chairman and an executive Director
"MYR"	Malaysian ringgit, the lawful currency of Malaysia
"New Shares"	the 180,000,000 new Shares being initially offered by our Company for subscription under the Global Offering
"Nippon Warehouse Limited"	Nippon Warehouse Limited (日之城發展有限公司) a limited company incorporated in Hong Kong on 9 May 1997, from which we acquired its business in 2000
"NT$"	New Taiwan dollar, the lawful currency of Taiwan
"ODM"	original design manufactured products, which are manufactured by third parties to the Company's specifications for sale under the Company's brand(s)
"OEM"	original equipment manufactured products, which are manufactured by third parties for sale under the Company's brand(s)
"Offer Price"	the final Hong Kong dollar price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at which Offer Shares are to be subscribed for or sold pursuant to the Global Offering, which is expected to be not more than HK$2.81 but not less than HK$2.22, to be determined as described in the section headed "Structure of the Global Offering – Pricing and Allocation" of this prospectus
"Offer Shares"	the Hong Kong Public Offer Shares and the International Placing Shares including, where relevant, any additional Shares offered pursuant to any exercise of the Over-Allotment Option
"Over-Allotment Option"	the option to be granted by the Selling Shareholder to the International Underwriter under the International Placing Agreement, exercisable by the Sole Global Coordinator on behalf of the International Underwriter, pursuant to which the Selling Shareholder may be required by the Sole Global Coordinator to sell up to 32,400,000 additional Shares, representing 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price

"Over-Allotment Shares"	up to 32,400,000 Shares which the Selling Shareholder may be required to sell at the Offer Price pursuant to exercise of the Over-Allotment Option
"PBOC"	People's Bank of China
"PRC" or "China"	The People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme conditionally adopted by our Company pursuant to a resolution passed by all the Shareholders on 4 September 2013 as described in the paragraph headed "Pre-IPO Share Option Scheme" in Appendix IV to this prospectus
"Price Determination Agreement"	the agreement to be entered into among our Company, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters) at or about the Price Determination Date to fix the Offer Price
"Price Determination Date"	the date, expected to be on or about Tuesday, 17 September 2013 (Hong Kong time), when the Offer Price is determined, and in any event no later than Thursday, 19 September 2013
"private label products"	products custom manufactured for us by various manufacturers in accordance with our requests and specifications and for sale exclusively in our stores
"Quality Housewares"	Quality Housewares* (家之良品), an operator of retail stores in Hong Kong, from which we acquired its business in 2007
"Red Home"	Red Home Holding Limited, a company incorporated in the Cayman Islands with limited liability on 10 February 2010, which is a Shareholder and a substantial shareholder of the Company
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed "History and Development, Reorganisation and Group Structure" of this prospectus

"Repurchase Mandate"	the general unconditional mandate to repurchase Shares granted to our Directors pursuant to the written resolutions of all the Shareholders passed on 4 September 2013 as described in the paragraph headed "Share Capital – General Mandate to Repurchase Shares" in Appendix IV to this prospectus
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	the 36,000,000 Shares being initially offered by the Selling Shareholder for purchase under the Global Offering and the Over-Allotment Shares
"Selling Shareholder"	Red Home
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SGD"	Singapore dollar, the lawful currency of Singapore
"Share(s)"	ordinary share(s) of HK$0.10 each in the issued share capital of our Company
"Shareholder(s)"	holder(s) of Shares
"Share Option Scheme"	the share option scheme conditionally adopted by our Company pursuant to a resolution passed by all the Shareholders on 4 September 2013 as described in the paragraph headed "Share Option Scheme" in Appendix IV to this prospectus
"SIBOR"	Singapore Interbank Offered Rate
"Sole Bookrunner"	BOCI Asia Limited
"Sole Global Coordinator"	BOCI Asia Limited
"Sole Lead Manager"	BOCI Asia Limited
"Sole Sponsor"	BOCI Asia Limited
"sq.ft."	square foot
"sq.m."	square metre
"Stabilising Manager"	the Sole Global Coordinator

"Stamp Duty Ordinance"	the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Hiluleka and the Stabilising Manager, as further described in the section headed "Structure of the Global Offering – Stock Borrowing Arrangement" of this prospectus
"subsidiary(ies)"	has the meaning ascribed to it under Section 2 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Track Record Period"	the period comprising the financial years of our Company ended 30 April 2011, 2012 and 2013
"Underwriters"	the Hong Kong Underwriter and the International Underwriter
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Placing Agreement
"United States" or "U.S."	the United States of America, including its territories and possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$" or "U.S. dollars"	the lawful currency of the United States
"**White Form eIPO**"	the application for Hong Kong Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"%"	per cent

In this prospectus, unless otherwise stated, amounts denominated in US$ have been translated into HK$ at an exchange rate of US$1.00 = HK$7.755, for illustrative purposes only. Such conversions shall not be construed as representations that amounts in HK$ or US$ were or could have been or could be converted into HK$ or US$ (as the case may be) at such rates or any other exchange rates on such date or any other date.

* *The English names of entities for which no official English translation exists are unofficial translations for identification purposes only.*

This prospectus includes forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and plan of operation;
- our capital expenditure plans;
- financing sources;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- the regulatory environment of our industry in general;
- future development in our industry; and
- general economic and political trends in Hong Kong and worldwide.

The words "aim," "anticipate," "believe," "can," "could," "estimate," "expect," "forecast," "intend," "may," "ought to," "plan," "project," "seek," "should," "will," and "would" or similar expressions or the negative thereof, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including:

- general economic, market and business conditions and levels of consumer spending;
- the commercial performance of our stores;
- the effects of competition in the housewares retail market;
- various business opportunities that we may pursue;
- pending or future legal or regulatory proceedings;
- changes in tax laws or rates;
- changes in rules and regulations applicable to the retail industry in Hong Kong and other jurisdictions in which we have operations; and
- changes in general political, economic, legal and social conditions in Hong Kong and globally.

Certain statements in the section headed "Financial Information" are forward-looking statements.

RISKS RELATED TO OUR BUSINESS

If we cannot successfully implement our expansion plans, or if we fail to obtain sufficient funding for our expansion plans, our business and growth prospects may be adversely affected

As part of our expansion plans, we aim to increase our number of stores by 40 in Hong Kong, 70 in Singapore, 50 in West Malaysia, 25 in the PRC and 15 in Macau in the three financial years ending 30 April 2016. We expect to incur capital expenditures of approximately HK$21.2 million, HK$33.6 million and HK$40.6 million for the years ending 30 April 2014, 2015 and 2016, respectively, for our new store openings. If our expansion plans prove to be unsuccessful, our cash flows and profitability may be materially and adversely affected. We may need to seek additional financing by issuing additional equity or debt securities or obtaining credit facilities in the event that our resources are not sufficient to fulfil our cash needs. Issuing additional equity securities could cause dilution to our Shareholders, and incurring indebtedness would increase our debt service obligations and could result in operating and financing covenants that may, among other things, restrict our expansion plans and operations, and/or our ability to pay dividends. If we cannot service our debt obligations or are unable to comply with our debt covenants, we may be in default under the relevant debt obligations. Further, as our ability to obtain additional capital on acceptable terms depends on a variety of uncertainties, including factors beyond our control, we cannot assure you that future financing will be available to us in amounts or on terms acceptable to us, or at all. If we cannot obtain financing on terms acceptable to us, or at all, our business, financial condition, results of operations and growth prospects may be adversely affected.

In addition, our expansion plans may place substantial demands on our management and our operational, technological, financial and other resources. To manage and support our growth, we may need to improve our existing operational and administrative systems, improve our financial and management controls, enhance our ability to recruit, train and retain additional qualified management personnel and other administrative, sales and marketing staff, and continue managing our relationships with our suppliers, customers and local business partners. All of these endeavours will require substantial attention and time from our management and significant additional expenditures. We cannot assure you that we will be able to manage any future growth effectively and efficiently, and our ability to capitalise on new business opportunities may be materially and adversely affected if we fail to do so, which would in turn materially adversely affect our business, financial condition, results of operations and prospects.

We cannot assure you that our newer operations outside of Hong Kong, and in particular our operations in West Malaysia and the PRC, which both generated net losses in the financial year ended 30 April 2013, will be able to make a meaningful contribution to the Group's revenue and profit in the three years ending 30 April 2016. See "– Our operations in the PRC and West Malaysia are still at relatively early stages of development and may not achieve our desired results" for more information on the risks of our PRC and West Malaysia operations. In addition, only 25 out of our 28 new stores opened outside of Hong Kong during the Track Record Period had achieved breakeven as at 30 April 2013 and only ten out of our 28 new stores opened outside of Hong Kong during the Track Record Period had reached payback as at 30 April 2013. We cannot assure you that our new stores will be able to achieve breakeven or reach payback at the same rate as our stores in Hong Kong. See "Financial Information – Factors Affecting Our Results of Operations – Number of Stores in Operation" for more information on our stores' breakeven and payback.

We may not maintain our current or historical rate of expansion. We strategically select new retail store locations depending on a variety of factors, primarily targeting areas with an appropriate number of households and a sufficient population to support a retail location. We also consider the proximity of our own or other similar retail stores in the area, as the opening of new retail stores in or near an area in which we already have existing retail stores could result in the potential diversion of customers from our existing retail stores to our new retail stores, and vice versa. We therefore may be limited in the number of retail stores we are able to open in the future.

We are exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs

We rent the retail spaces for all of our stores in Hong Kong, Singapore, West Malaysia, the PRC and Macau. As a result, rental costs constitute a significant portion of our operating expenses. Rental expenses for our retail stores in the Group amounted to HK$136.8 million, HK$161.2 million and HK$205.0 million for the financial years ended 30 April 2011, 2012 and 2013, respectively, representing 13.4%, 13.3% and 13.7% of our revenue during the same years. In the past few years, the overall cost for securing retail spaces in Hong Kong, Singapore, West Malaysia and the PRC through rental arrangements has increased significantly. This is particularly the case for prime retail locations. Although we have maintained stable rental costs as a percentage of revenue historically, this ratio may increase in the future as rental costs in these regions may continue to rise. As a result, our increased rental obligations may render us vulnerable to adverse economic conditions, limit our ability to obtain additional financing and reduce our cash available for other purposes.

Our success depends partly on our ability to secure and renew the tenancy agreements for our retail stores in quality locations

The success of our retail operations depends partly on our ability to secure and renew tenancy agreements in quality locations. In selecting suitable sites for our retail stores, we consider factors such as available space, its convenience and accessibility to our target customers, and the degree of surrounding competition. Demand for suitable sites is high and we face intense competition from other retailers for these locations. Our ability to rent premises in suitable locations on terms acceptable to us is crucial to the success of our expansion strategies. If we fail to secure or renew tenancy agreements for our retail stores in quality locations, our business, financial condition, results of operations and future prospects could be adversely affected.

Our tenancy agreements typically have an initial term of three years and may provide for payment of "turnover rent" when monthly store revenue exceeds a specified level. We cannot assure you that we will be able to renew our tenancy agreements on acceptable terms. As at 31 July 2013, we had entered into 295 tenancy agreements for our retail stores. Of these tenancy agreements, 37, 94, 110 and 41 tenancy agreements will expire on or before 31 December 2013, 31 December 2014, 31 December 2015 and 31 December 2016, respectively, and 13 will expire on or after 1 January 2017. Four of our tenancy agreements are renewable on a monthly basis. See "Business – Properties" for more information. If we are unable to renew our tenancy agreements on terms commercially acceptable to us, or if our tenancy agreements are terminated for any reason prior to their expiration, we will need to close or relocate the relevant retail stores. Such relocations will cause disruptions to our business, including loss of revenue during the period of closure, and may incur significant expenses. In addition, relocated stores may generate less revenue.

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

We believe hiring, motivating and retaining qualified employees are a critical part of our success as retailer. Our success depends in part upon our ability to attract, retain and motivate a sufficient number of qualified employees, including sales staff, logistics staff and office clerks. As at 30 June 2013, we employed 1,942 employees, 15 of whom were management personnel and 1,674 of whom were part of our retail operations team. Highly service-oriented and qualified individuals are in short supply and competition for these employees is intense.

We have implemented a number of initiatives in an effort to attract, retain and motivate a sufficient number of qualified employees for our business operations and planned expansion such as specific skills-based training programmes and incentives for meeting sales targets. If these initiatives do not achieve the intended benefits generally or within our desired time frame, 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 hire and retain enough qualified employees could delay planned new store openings or result in higher employee turnover, either of which could have a material adverse effect on our business and results of operations. In addition, competition for qualified employees could also require us to pay higher wages, which could result in higher labour costs.

Our employee expenses may further increase due to factors beyond our control, such as changes in employees' protection legislation in the jurisdictions in which we operate

Our employee expenses amounted to HK$124.3 million, HK$157.5 million and HK$200.6 million for each of the financial years ended 30 April 2011, 2012 and 2013 respectively, representing 12.2%, 13.0% and 13.4% of our revenue during the respective periods. Although we have managed to maintain relatively stable employee expenses as a percentage of revenue historically, such ratio may increase in the future due to factors beyond our control, including rates of inflation, minimum wages and laws relating to employee salaries and benefits.

In particular, the salary level of employees in the retail industry in Hong Kong has been increasing in recent years. Our operations in Hong Kong are required to comply with the statutory minimum wage requirements, which came into effect on 1 May 2011, with the initial statutory minimum wage rate being HK$28 per hour. Beginning on 1 May 2013, the statutory minimum wage in Hong Kong further increased to HK$30 per hour. Further increases to the minimum wage will lead to an increase in our employee expenses.

We may not be able to increase our prices enough to pass such increased employee expenses onto our customers, or we may lose certain customers due to our increased prices, in which case our business, financial condition and results of operations would be materially and adversely affected.

Our financial results depend on the success of our existing and new stores

Our financial results depend on our ability to increase sales and efficiently manage costs in our existing and new stores. In particular, the success of our stores depends principally on our ability to increase customer visits and the average spending per transaction. Significant factors that might adversely impact our customer visits and the average spending per transaction include, without limitation:

- increased competition in the housewares industry;

- changes in consumer preferences;
- consumer budgeting constraints;
- customer sensitivity to our product price increases;
- our reputation and consumer perception of our brand and our offerings in terms of quality, price, value and service; and
- consumer experiences from shopping in our stores.

The profitability of our stores is also subject to cost increases that are either wholly or partially beyond our control, including, without limitation:

- rental expenses for our existing and new stores;
- the price at which we purchase our products from our suppliers;
- employee expenses;
- information technology and other logistics costs; and
- costs associated with any material interruptions in our supply chain.

As at 30 April 2013, not all of our stores newly opened during the Track Record Period had achieved breakeven or reached payback, and not all of our stores were profitable in the financial year ended 30 April 2013. The failure of our existing or new stores to perform as expected could have a significant negative impact on our business, financial condition and results of operations.

Macroeconomic factors have had and may continue to have a material adverse effect upon our business, financial condition and results of operations

As a retailer, we are sensitive to changes in economic conditions and consumer purchasing power, especially those in Hong Kong, where most of our revenue is currently generated.

We derived a substantial majority of our revenue from sales in Hong Kong in the financial years ended 30 April 2011, 2012 and 2013, respectively. We anticipate that despite our expansion plans, income generated from retail sales in Hong Kong will continue to be our Group's principal source of income for the foreseeable future. Consumer purchasing power is affected by, among other factors, general business conditions, stock market and real estate market conditions, as well as by current and expected future global or regional macroeconomic conditions such as employment rates, inflation and interest rates. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn (including any actual or forecasted economic recession), natural disasters, contagious disease outbreaks or terrorist attacks, our overall business and results of operations may be materially and adversely affected. Therefore, if there is any perceived or actual weakening in the economic, political or regulatory environment in Hong Kong, in particular changes that affect consumer spending, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Moreover, continued weakness in the global economy, such as the occurrence of a sovereign debt crisis, banking crisis or other disruptions in the global financial markets that could impact the availability of credit generally, may have a material and adverse impact on financings available to us. Renewed turmoil affecting the financial markets, banking systems or currency exchange rates may significantly restrict our ability to obtain financing from the capital markets or from financial institutions on commercially reasonable terms, or at all, which could make it difficult to finance and, consequently, expand and grow our operations. This would materially and adversely affect our business, financial condition, results of operations and prospects.

If we are unable to respond effectively to changes in customer preferences and needs, our market share and result of operations could be adversely affected

The success of our business in the regions in which we operate depends on our ability to identify customer preferences and needs in those regions and to obtain such products from our manufacturers in a timely manner. Customer preferences differ across and within each of our regions depending on the local environment and climate, and shift over time in response to changing market trends and economic circumstances. We cannot assure you that we will anticipate or successfully respond to changes in customer preferences in one or more of the regions in which we operate. Even if we do anticipate and respond to such changes, we cannot assure you that we will bring to market in a timely manner enhanced or new products that meet these changing preferences. If we fail to anticipate or respond to changes in customer preferences or fail to bring to market in a timely manner products that satisfy new preferences, our market share and our sales and profitability could be adversely affected.

Our operations in the PRC and West Malaysia are still at relatively early stages of development and may not achieve our desired results

As at 30 April 2013, we operated seven stores in the PRC and nine stores in West Malaysia. Because we only opened our first retail store in West Malaysia in 2011 and entered the PRC market in 2012, our operations in these markets are still at a relatively early stage of development. We have not yet achieved profitability in these markets, and have incurred net losses of HK$4.8 million and HK$3.0 million in West Malaysia and the PRC, respectively, in the financial year ended 30 April 2013. In the financial year ended 30 April 2013, four out of nine of our West Malaysia stores, and all seven of our PRC stores, generated net losses. The average capital expenditure for opening a new store in West Malaysia and the PRC are approximately HK$714,000 and HK$311,000, respectively. We cannot assure you that we will be able to generate sufficient revenues in the future to achieve or sustain profitable operations or cover our investment costs in these regions. If we do not generate sufficient revenue, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We plan to increase our number of stores by 25 in the PRC, particularly in the Yangtze River Delta area, and 50 in West Malaysia by the year ending 30 April 2016. The markets in the PRC and West Malaysia may have different business environments, competitive conditions, consumer preferences and discretionary spending patterns than our existing markets. Given our relatively limited operating experience in the PRC and West Malaysia, the retail stores we open in the PRC and West Malaysia may be less successful than those in our existing markets. Further, consumers in the PRC and West Malaysia may not yet be familiar with our brand and we may need to incur additional expenditures on advertising and marketing activities to build brand

awareness. In addition, we may encounter difficulties in hiring, training and retaining qualified employees who share our business philosophy and culture. Any inability to replicate or successfully adapt our business model to local conditions of these new markets may affect the profitability of the retail stores in those new markets, which may adversely affect our business, financial condition and results of operations.

Our non-Hong Kong operations subject us to additional risks

We conduct operations in Singapore, West Malaysia, the PRC and Macau, and are subject to the laws and regulations, government policies and economic, social and political conditions of those jurisdictions. We also have licenced stores operated by our business partners in Saudi Arabia, East Malaysia, New Zealand, Indonesia and Cambodia. Our future growth depends significantly on our ability to expand into markets outside of Hong Kong. We will be exposed to a number of additional risks by operating outside of our core Hong Kong market, including, among others:

- exposure to local economic and political conditions;
- unexpected changes in laws and regulations (or the interpretation thereof), government policies, trade or monetary or fiscal policies, including interest rates, foreign currency exchange rates, changes in the rate of inflation, foreign investment, company organisation and management, business, tax and trade;
- social plans that prohibit or increase the cost of certain restructuring actions;
- tariffs, quotas, customs and other import or export restrictions and other trade barriers;
- difficulty of enforcing agreements, collecting receivables and protecting assets;
- reduced intellectual property protection;
- limitations on repatriation of earnings;
- withholding and other taxes on remittances and other payments by subsidiaries, or industry-specific taxes and fees;
- investment restrictions or requirements;
- violence and civil unrest;
- changing labour conditions and difficulty in staffing our international operations;
- changes in consumer preferences;
- legal and regulatory changes and the burdens and costs of our compliance with a variety of foreign laws;
- increases in taxes which we are obliged to pay and other changes in applicable tax laws; and
- political events, domestic or international acts of terrorism and hostilities or complications due to natural or nuclear disasters.

These uncertainties could have a material adverse effect on our business, results of operations and financial condition.

We have not obtained some of the required licences and approvals for our store operations in some of the jurisdictions in which we operate

The laws of Hong Kong, Singapore, West Malaysia, the PRC and Macau require that we obtain certain licences and approvals for the conduct of our business operations. For example, our PRC subsidiaries and PRC stores are required to seek licences, approvals and permits from the relevant authorities for their business operations. We have not obtained business licences for two of our PRC stores and have not obtained fire safety approvals for all of our PRC stores. We are in the process of applying for these outstanding licences or approvals except for the business licence for one PRC store and fire safety approvals for the two PRC stores which will be closed in October 2013. According to our PRC legal advisers, we will not be restricted or prohibited under relevant PRC laws from opening new stores as a result of these non-compliance incidents in respect of our PRC stores.

Certain of our operations are conducted through licenced stores operated by our business partners, which have unique risks

We have licenced stores operated by our business partners in East Malaysia, Saudi Arabia, New Zealand, Indonesia and Cambodia. These business partners may: (i) have different economic or business interests and goals than we do; (ii) take actions contrary to our instructions or requests; (iii) be unwilling or unable to fulfil their obligations under the agreements; or (iv) have financial or operating difficulties, which exposes us to credit risk. We cannot assure you that any of our business partners will not breach its obligations under the agreements to us. Such breaches may adversely affect the business and results of operations of the relevant licenced stores, which in turn may have an adverse effect on our Group's business, results of operations and financial condition.

We rely on our joint venture partners and business partners who operate licenced stores for our store operations outside of Hong Kong

We rely on the local expertise and decision-making of the managers and staff of our joint venture partners and business partners who operate licenced stores, and we cannot assure you that they will not make decisions or take actions that are not in our best interests, thereby harming our business and causing the diversion of management resources or exposure to litigation from third parties.

Poor selection of our joint venture and business partners or failure on our part to provide adequate guidance to such business partners and their staff may lead to situations which adversely affect the operational viability or our licenced stores, including the following:

- instances of negligence or non-compliance on the part of our business partners, possibly damaging our brand image or leading to infringement of our intellectual property rights;

- risks to our reputation from products sold by our business partners which are not sourced from us;

- failure by our business partners to maintain sufficient financial strength or to inject sufficient capital to effectively operate our licenced stores;

- business partners engaging in business activities in violation of non-compete provisions or communicating our commercial secrets to rival businesses; and

- legal liabilities brought about by operational faults on the part of the franchisee resulting in damages to the customer.

Our management and co-founders contribute significantly to our success, and our business may be adversely affected if we lose their services

Our co-founders, Mr. Lau and Ms. Ngai, have historically played key roles in the management and direction of our business, and have contributed significantly to our success. The future development and expansion of our Group will rely on the continued dedication of the skills, knowledge and experience of these individuals. If one or both of these individuals are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our results of operations may be materially and adversely affected. In addition, if either of these individuals, any member of our senior management team or any of our other key personnel joins a competitor or forms a competing business, we will lose the benefits of their contributions to our business and operations. Any failure to attract, retain and motivate these individuals, any member of our senior management team or any of our other key personnel, or to find suitable and qualified replacements should we lose their services, may materially and adversely affect our business and prospects.

We rely on third parties for certain services and the production of our products

We rely on third parties for the supply and manufacture of products sold in our stores. We also engage a limited number of third party service providers for logistics and delivery services. In the event that any of our manufacturers and/or logistics and delivery service providers breach our agreements with them, terminate such agreements or are unable or unwilling to perform their obligations to us, we may experience material disruption to the supply of products and provision of services from our external manufacturers and service providers. Any adverse impact on our ability to obtain sufficient quantities of products for sale and delivery to our customers in a timely manner and at acceptable prices may materially and adversely affect our business, financial condition and results of operations. We cannot assure you that we will be able to identify suitable manufacturers, suppliers and/or logistics and delivery service providers on a timely basis and on acceptable terms to us, in which case, our business, financial condition and results of operations may be adversely affected.

Certain of our tenancies have not complied with all requirements under the relevant laws in their respective jurisdictions

We have not obtained copies of the building ownership certificates from the landlords of two of the retail stores we operate in the PRC and one warehouse in the PRC, nor any documents evidencing their rights or authority to sub-lease the rented premises to us. As a result, we do not have any documentation evidencing these landlords' ownership rights over the premises we rent from them, that such ownership is not subject to any dispute, or that all requisite governmental approvals have been obtained in connection with the construction of these premises. If a dispute arises as a result of defective title to any of these properties, we may be evicted from these premises, which could result in a disruption of our operations. In addition, we have not registered the tenancy agreements for certain of our PRC properties as required under PRC law, which could result in the imposition of a fine.

Our Directors are aware that there are a number of building notices and building orders issued against third parties, including our landlords, in respect of our retail properties in Hong Kong under Section 24 of the Buildings Ordinance. As at 30 April 2013, building orders relating to building conditions affecting six stores which may result in the buildings being deemed dangerous if not remediated, were outstanding. Our revenue derived from each of these retail stores with outstanding building notices or building orders accounted for approximately 0.2% to 0.6%, approximately 0.2% to 0.5%, and approximately 0.2% to 0.5% of our total revenue in the financial years ended 30 April 2011, 2012 and 2013, respectively. If we are required to suspend or terminate operations at these retail stores, we estimate that the average cost of relocating each of these retail stores would range from approximately HK$200,000 to HK$500,000. As these building orders are against third parties, including our landlords, we do not have any control over these third parties' remedial actions, including whether the conditions will be addressed on a timely basis or at all. If the properties which are the subject of these building orders are not remediated, whether on a timely basis or at all, we may be evicted from the relevant premises, which could result in a disruption to our operations. If the dangerous conditions result in property damage or personal injury before they are remediated, we may be subject to liability, including occupier's liability, which could result in fines, lawsuits or monetary liability to third parties.

We are subject to product liability risks

As with other retailers, our Group is subject to product liability claims if our products sold are defective. Generally, manufacturers and suppliers who produce or sell defective products are liable for any damages or personal injury caused by the defects of such products. We cannot assure you that we will not be subject to any product liability claims or adverse publicity due to deficiencies in product quality in the regions in which we operate in the future. In addition, we do not have control over all of the merchandise sold in our licenced stores, which are only required to source 80%-100% of their merchandise from us. Therefore, if any products sourced from third parties and sold by our business partners to their customers are defective or faulty, these customers may bring product liability or other claims against us. Regardless of the merits or the outcome of these claims, we may be required to address and, if necessary, defend against such claims, which may divert management attention and other resources from our business and operations. If any product liability claim is brought against us in the future, whether or not the claim is ultimately successful, the negative publicity associated with such claims could adversely affect our reputation. Further, the full amount of our financial liability under a product liability claim may not be covered by our insurance, and any claim may also result in legal costs and costs incurred in connection with a product recall campaign or in rectifying any product defects, any of which could have an adverse effect on our business, results of operations and financial condition.

Our insurance coverage may not be sufficient to cover all losses

We maintain insurance policies which cover, among others, the assets in our retail stores, warehouses and offices (including all our inventories), physical loss or damage to properties, fire, employees' compensation and third party liability. However, there may be circumstances in which we will not be covered or compensated for certain types of losses, damages and liabilities we may incur. If we are held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business, financial condition and results of operations may be materially and adversely affected.

We operate in a competitive industry

We believe that the housewares products market in general is competitive, with relatively low barriers to entry. We indirectly compete with mom-and-pop housewares stores, supermarkets, hypermarkets, furniture stores and department stores. Our larger-scale competitors may have greater financial, marketing, personnel and other resources than we do, and our small-scale competitors may be able to better react to changes in pricing and consumer preferences than we can, due to their smaller scale. Key competitive factors in our industry include price, product quality, product choice and variety, product brand and store location. If we fail to compete effectively against our competitors, we may lose or be unable to expand our market share, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

We may be unable to detect, defer and prevent misconduct by our employees, customers and other third parties

As at 30 June 2013, our Group had 1,942 employees. Fraud or other misconduct by employees at different operational levels of our Group, whether individually or in collusion with other employees, customers or other third parties, could reduce our operational efficiency and business performance, and may even result in violations of laws by our Group, third party claims and regulatory actions against our Group and serious reputation or financial harm to our Group. Although we have certain internal control procedures and systems in place, including cash handling procedures, we cannot assure you that all our employees will fully comply with our Group's internal control procedures and systems when performing their duties. In addition, we may also be subject to misconduct by third parties such as our manufacturers, suppliers and customers, including (among others) our manufacturers providing us with defective products or customers stealing merchandise or paying for purchases with counterfeit banknotes. We cannot assure you that we will be able to prevent or detect all incidents of wrongdoings by third parties. Any misconduct committed against us or 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.

Interruption or security breaches to our information systems, especially with respect to our retail stores and inventory management systems, may have a material adverse effect on our business, financial condition and results of operations

We rely on various information technology systems, such as our central accounting system and POS system, for the timely exchange of business information between our headquarters and individual retail stores, and these systems are critical to our daily business operations. We cannot assure you that our information systems will always operate without interruption or malfunction. Any breakdown for an extended period of time, or other failure of our information systems from, among other things, security breaches, viruses, hacking or damage to the hardware or software systems, may cause interruptions to our operations and inventory management, and may adversely affect the integrity of our information, our business performance and profitability. Although we have disaster recovery systems and have back-up systems in place, we cannot assure you that these systems will be adequate to support our operations in the event of a prolonged breakdown of our primary system, or that our back-up systems will not be damaged simultaneously with our primary system, in which case our business operations will be materially and adversely affected. In addition, the increasing business complexity of our operations due to our growth strategies may place additional requirements on our systems, controls, procedures, and management and as a result, may restrain our ability to manage our future growth.

Cyber security threats, including a privacy or data security breach, could damage our relationships with our customers, harm our reputation, expose us to litigation and adversely affect our business

We depend to a certain extent on information technology and systems for our business operations. Although we have in place various measures and controls that enable us to identify, detect and prevent unauthorised access to data on our private networks, we cannot guarantee that a security breach will not occur. Anyone who gains unauthorised access to confidential data, or parties who have permitted access to such data such as current or former employees and third party manufacturers, may be able to misappropriate, publish, delete, modify and/or otherwise deliberately or unintentionally misuse confidential information that is stored or transmitted on our networks. Any such security breaches may subject us to liability under applicable data protection laws and regulations, as a result of which we could be subject to substantial fines or may face litigation. We may also incur significant costs resulting from remedial actions, such as implementing additional security measures. Any of these consequences could have a material impact on our business, including damaging our reputation and our relationships with our customers and employees.

Our business in Hong Kong and Singapore depends significantly on the market recognition and strength of our Japan Home Centre and Japan Home brands

Our success in Hong Kong and Singapore depends significantly on the strength of our Japan Home Centre and Japan Home brands, respectively, and our reputation for consistent, high-quality products and shopping experience. Our other trade names and trademarks, including City Life and Epo Gifts & Stationery, are also important to the success of our business and our competitive position in the Hong Kong market. We have invested significant resources to establish brand recognition among consumers, and we believe that our continued success will depend largely on our ability to protect and enhance the value of our brands. In addition to effectively managing customer perception of our brand, our image is also built on the selection, presentation and quality of products in our stores, and the image and design of our retail stores. Any incident that erodes consumer trust in or affinity for our brands could negatively impact our reputation and our business.

The loss or infringement of our intellectual property rights, or allegations that we have infringed third parties' intellectual property rights, could have an adverse effect on our business, financial condition and results of operations

We have taken appropriate actions to register and protect our trademarks in the jurisdictions in which we are active. We cannot assure you, however, that we will be able to successfully obtain registrations of our trademarks, nor that we will be able to adequately guard against future infringement of our trademarks or that others will not challenge our rights in, or ownership of these trademarks. In addition, the laws of certain countries, particularly those of the PRC, may not offer the same legal protections against imitation and infringement as are offered in Hong Kong, making the preservation of these trademarks more difficult. Our inability to adequately maintain and protect our trademarks could have a material and adverse effect on our business, financial condition and results of operations.

If we infringe or are alleged to infringe a third party's intellectual property rights, we may be required to defend an infringement action. The defence and prosecution of intellectual property actions and related administrative proceedings can be costly and time consuming, with unpredictable outcomes, and may divert the attention, efforts and resources of our management personnel. For example, we have not transitioned the branding of two of the stores we operate in the PRC, which we acquired during the financial year ended 30 April 2012, to our Living Plus (泛美家) brand. We did not acquire the rights to use the brand used by the previous owner, but we have continued to operate these stores under the previous brand pursuant to the whole requirements of the tenancy agreements for these stores. While the previous owner of these stores was not the owner of the brand it used, we are given to understand that the previous owner had consent or authority from the brand owner to use this brand. The previous owner has issued a letter of undertaking pursuant to which they agreed to indemnify us against any losses or liabilities arising from any disputes, claims or legal proceedings caused by our continued use of this brand. However, although these stores will close in October 2013 upon the expiry of their tenancy agreements, our continued use of the brand used by the previous owner before the close of these stores may become the subject of an infringement claim or dispute. In the event of any such claim or dispute, we cannot assure you that the previous owner will have sufficient financial resources to indemnify us, in full or in part, nor that the previous owner will honour its undertaking to us.

Our trademarks that are material to our business may be registered by third parties in jurisdictions in which we do not have operations

Certain of our trademarks are material to our business, operations and competitive position, and we register our material trademarks to protect our intellectual property rights in the jurisdictions in which we currently operate. As at the Latest Practicable Date, we had 21 registered trademarks in Hong Kong, two registered trademarks in Singapore and 14 registered trademarks in the PRC. In jurisdictions in which we do not conduct business operations and have not registered our trademarks, subject to relevant local laws and regulations, we are subject to the risk of third parties using and/or registering our trademarks under their own name, and we may thereby be precluded from or encounter obstacles in pursuing business opportunities in those jurisdictions in future.

Third parties may register our trademarks under their names in other jurisdictions. For example, one of our export customers, a retail store operator in the Philippines, registered our Japan Home Centre trademark under its name in the Philippines. We cannot assure you that consumers at those stores would not mistakenly associate that trademark with our Group, or that lower quality products sourced from other suppliers offered at those stores would not materially and adversely affect our brand name and reputation. If this occurs, we may encounter difficulties in the event that our expansion strategy changes in the future.

We may face difficulties in identifying appropriate acquisition targets or in integrating acquired businesses into our operations

We have in the past, and may in the future, expand our business operations through selective acquisitions. Acquisitions and expansion involve numerous risks and uncertainties, including:

- inability to identify suitable acquisition targets or complete acquisitions at commercially acceptable terms or prices;
- availability, terms and costs of any financing required to fund acquisitions or complete expansion plans;
- inability to secure necessary governmental approvals or third party consents;
- costs of and difficulties in integrating acquired businesses, managing a larger and growing business or operating in new markets and geographic regions;
- potential on-going financial obligations and unforeseen, hidden or latent liabilities of our acquisition targets and other unidentified risks;
- failure to capitalise on the expected synergies arising from acquisitions and to achieve other intended objectives or benefits, or to generate sufficient revenue to recover the costs or expenses of an acquisition or expansion plan;
- an acquired business' failure to perform as expected and impairment costs;
- decrease in our overall margins due to the lower margins of our acquired businesses;
- potential negative effect on our liquidity position due to the net cash outflow of an acquired business;
- failure to retain the management teams of the acquired businesses and their expertise; and
- the diversion of resources and management attention from our existing businesses.

Any failure to address these risks may have a material adverse effect on our business, financial condition and results of operations.

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

Our overall results of operations may fluctuate from period to period due to various factors, including the timing of new store openings and the incurrence of associated pre-opening costs and expenses, operating costs for our newly opened stores, any losses associated with our store closings and seasonal fluctuations that may vary depending upon the region in which a particular store is located. We sell certain season-specific products during particular periods, for example Christmas trees during the winter holiday season, and air conditioners during the summer season. During the Track Record Period, we generally derived a higher amount of revenue from December to February. As a result of the above factors, our results of operations may fluctuate

significantly from period to period and a comparison of different periods within a financial year 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 may be subject to acts of God, acts of war, epidemics and other factors beyond our control which may cause damage, loss or disruption to our business

Our business is subject to the general economic and social conditions in the places where our Group has operations, particularly Hong Kong, Singapore, Malaysia, the PRC and Macau. Natural disasters, including fire, typhoons, and other events, such as electricity black-outs, epidemics or pandemics and other acts of God beyond our control may adversely affect the economy, as well as consumer spending power and livelihoods. In the event that such natural disasters occur, our business, operating results and financial conditions may be materially and adversely affected. For example, the recurrence of the severe acute respiratory syndrome, or an outbreak of swine or avian influenza or severe acute respiratory infection caused by the novel coronavirus recently discovered in Hong Kong or other places where we have operations, could cause material disruptions to our Group's operations and/or a downturn of the economy in such areas, thereby materially and adversely affecting our business, financial condition and results of operations.

The costs of the options granted under the Pre-IPO Share Option Scheme and the options to be granted under the Share Option Scheme will adversely affect our results of operations and any exercise of such options may result in dilution to our Shareholders

On 4 September 2013, we conditionally adopted the Share Option Scheme. Under the Share Option Scheme, we may grant options to the eligible participants of the scheme to subscribe for our Shares. As at the Latest Practicable Date, options to subscribe for an aggregate of 8,424,000 Shares had been granted under the Pre-IPO Share Option Scheme. Together, the options granted under the Pre-IPO Share Option Scheme and the options to be granted under the Share Option Scheme may not in the aggregate exceed 10% of the issued share capital of our Company immediately after completion of the Global Offering and the Capitalisation Issue.

We are required to expense our employees' share-based compensation awards in accordance with HKFRS 2 "Share-based payment". We measure share-based compensation cost based on the fair value on the grant date of each award. This cost is recognised over the period during which an employee is required to provide service in exchange for the award or the requisite service period, usually the vesting period, and is adjusted for actual forfeitures that occur before vesting. In order to assess the fair value of share-based compensation, we use certain assumptions, including the probability of reaching the targets set for the Company's share performance in the market, if applicable, and our financial results of operations, the forfeitures and the service period of each employee. We expect to grant options under our Share Option Scheme and to incur additional share-based compensation expenses in future periods with respect to options to be granted under the Share Option Scheme, which will reduce our net income. We are not able to currently provide an estimate of expenses in relation to options that may be granted under the Share Option Scheme. Please see "Forward-Looking Statements" for information regarding the various risks and uncertainties inherent in estimates of this type. We may also adopt additional equity incentive plans in the future, and our results of operations will be adversely affected if we grant options under such plans.

In addition, issuances of Shares with respect to awards under the Pre-IPO Share Option Scheme and the options to be granted under the Share Option Scheme, and other incentive plans which may be adopted in the future, will result in dilution of the percentage ownership of our Shareholders, as well as our earnings per Share and our net asset value per Share.

We face uncertainty from the Circular on Strengthening the Administration of Enterprise Income Tax on Non-PRC Resident Enterprises' Share Transfers ("Circular No.698") issued by the PRC State Administration of Taxation, effective 1 January 2008

Pursuant to Circular No. 698, other than in connection with the purchase and sale of equity through a public securities market, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas holding company (an "Indirect Transfer"), and the overseas holding company is located in a tax jurisdiction that has an effective tax rate of less than 12.5% or does not tax foreign income of its residents, the non-resident enterprise, as the transferor, is required to report this Indirect Transfer to the competent tax authority of the PRC resident enterprise. Using a "substance over form" approach, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such as Indirect Transfer may be subject to PRC tax at a rate of up to 10%. Circular No. 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

The application of Circular No. 698 is uncertain. The relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting of an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise remain unclear. In addition, there are no formal declarations regarding how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. Circular No. 698 may be determined by the tax authorities to be applicable to our Reorganisation, if our Reorganisation were to be determined by the tax authorities to lack a reasonable commercial purpose. Although we do not believe that our Reorganisation lacks reasonable commercial purpose, we are subject to the risk of being taxed under Circular No. 698, and we may be required to expend valuable resources to comply with Circular No. 698 or to establish that we should not be taxed under Circular No. 698. As a result, our tax liability may increase and our net profits and cash flow may be affected.

We have previous incidents of non-compliance with the Companies Ordinance

Some of our subsidiaries incorporated in Hong Kong have on various occasions not fully complied with certain statutory requirements in the Companies Ordinance with respect to matters such as failure to make timely filings in respect of company secretarial matters with the Companies Registry of Hong Kong. See "Business – Regulatory Compliance."

If the Hong Kong Companies Registry takes any action against the relevant subsidiaries in our Group, including the assessment of fines or other penalties, our reputation, cash flow and results of operation may be adversely affected.

RISKS RELATED TO THE GLOBAL OFFERING

Our Controlling Shareholders may exert substantial influence over us and their interests may conflict with the interests of other Shareholders

Following completion of the Global Offering and the Capitalisation Issue (assuming an Offer Price of HK$2.52 per Share, being the mid-point of the indicative Offer Price range of HK$2.22 to HK$2.81 per Share, and assuming that the Over-Allotment Option is not exercised), the Controlling Shareholders will own an aggregate beneficial interest of 45% in our issued Shares. Accordingly, subject to the Articles and applicable laws and regulations, the Controlling Shareholders will, should they choose to do so, be in a position to exert significant influence and control over the affairs of our Company, including with respect to the timing and amount of dividend payments and approving significant corporate transactions. The interests of the Controlling Shareholders may not align with those of our other Shareholders. We cannot assure you that the Controlling Shareholders will always take actions that are beneficial to our other Shareholders.

Due to a gap of up to five business days between pricing and trading of our Shares on the Stock Exchange, the initial trading price of our Shares may be lower than the Offer Price

The Offer Price will be determined on the Price Determination Date by negotiations between our Group, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters), however the Shares will not commence trading on the Stock Exchange until the Listing Date, which is typically expected to be approximately five business days after the Price Determination Date. Accordingly, you may not be able to sell or otherwise deal in our Shares during such period, and may be subject to the risk that the market price of our Shares could fall below the Offer Price before trading begins as a result of adverse market conditions or other adverse developments occurring during this period. As a result, you may suffer loss when reselling your Shares.

There has been no prior public market for our Shares, and an active trading market for our Shares may not develop or be sustained

Prior to the Global Offering, there has been no public market for our Shares. The Offer Price will be determined by us after negotiations with the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters) and may differ significantly from the market price of our Shares following the Listing. We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. However, we cannot assure you that an active and liquid public trading market for our Shares will develop following the Listing or in the future. If an active public trading market for our Shares does not develop, the Shares could be traded at a price lower than the Offer Price, and you may not be able to resell your Shares for an extended period of time or at all.

Future sales or perceived sales of the Shares, or major divestment of Shares by any major Shareholder, could adversely affect the market price of our shares

The sale of or the perception of the sale of a significant number of Shares in the public market after the Global Offering may adversely affect the market price of our Shares. Save as disclosed in the section headed "Underwriting" in this prospectus, there are no major restrictions imposed on the future sale or other disposal of our Shares by our Controlling Shareholders and EQT Greater China II. Any future sales, or perceived sales, of Shares by any of our major

Shareholders upon the lapse, waiver or breach of these restrictions may cause the market price of the Shares to fall. In addition, these disposals may make it more difficult for our Group to issue new Shares in the future at a time and price the Directors deem appropriate, thereby limiting our Group's ability to raise capital.

Investors may experience immediate dilution due to the Offer Price being higher than net tangible book value per Share

As the Offer Price of our Shares is higher than the net tangible book value per Share immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma adjusted combined net tangible asset value of HK$0.91 per Share (assuming an Offer Price of HK$2.52 per Share, being the mid-point of the indicative Offer Price range of HK$2.22 to HK$2.81 per Share, and assuming that the Over-Allotment Option is not exercised). If we issue additional Shares or equity-related securities in the future, the then-existing Shareholders may experience further dilution in their ownership percentage. Further, such new securities may have preferred rights, options or pre-emptive rights which make them more valuable than or senior to the Shares.

Fluctuations in exchange rates may result in foreign currency exchange losses and may materially and adversely affect your investment

Certain portions of our revenue and expenditures are denominated in RMB, SGD and MYR. The PRC government regulates the conversion between RMB and foreign currencies. The MYR is also subject to certain foreign exchange restrictions.

In respect of the RMB, over the years, the PRC government has significantly reduced its control over routine foreign exchange transactions under current accounts, including trade and service related foreign exchange transactions and payment of dividends. However, foreign exchange transactions by our PRC subsidiaries under capital accounts continue to be subject to significant foreign exchange controls and require the approval of, or registration with, PRC governmental authorities. In addition, the value of the RMB is affected by, among others, changes in the PRC's political and economic conditions as well as government policies. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC. On 21 July 2005, the PRC government changed its policy of pegging the value of RMB to the U.S. dollar. Under the new policy, RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Further, from 18 May 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of RMB against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on 21 May 2007. The floating band was further widened to 1.0% on 16 April 2012. These changes in currency policy resulted in RMB appreciating against the U.S. dollar and the H.K. dollar by approximately 30.2% from 21 July 2005 to 30 June 2012. The PRC government may adopt further reforms of its exchange rate system, including making the RMB freely convertible in the future.

Since 1981, Singapore's monetary policy has been centred on the exchange rate for the SGD. The Monetary Authority of Singapore (the "MAS") operates a managed float regime for the SGD. It manages the SGD against a trade-weighted basket of currencies of Singapore's major trading partners and competitors, and maintains it broadly within an undisclosed target band. From time to time, the MAS may intervene in the foreign exchange market to maintain the trade-weighted Singapore dollar exchange rate within the policy band.

In respect of the MYR, since July 2005, Malaysia's central bank, the Bank Negara Malaysia (the "BNM") has allowed the MYR to operate within a managed float against several major currencies, although still intervening from time to time to maintain stability of the value of the MYR. There are foreign exchange policies in Malaysia which support the monitoring of capital flows into and out of the country in order to preserve its financial and economic stability. The foreign exchange policies are administered by the Foreign Exchange Administration, an arm of BNM. The foreign exchange policies monitor and regulate both residents and non-residents. Under the current Exchange Control Notices of Malaysia and Foreign Exchange Administration Rules issued by BNM, non-residents are free, at anytime, to repatriate any amount of funds, upon conversion into foreign currencies, including capital, divestment proceeds, profits/dividends, rental, fees and interest arising from investment in Malaysia, subject to the applicable reporting requirements, and any withholding tax. In the event that BNM introduces any new foreign exchange policies which restrict such funds from being repatriated in the future, the ability to repatriate dividends or distributions to our Company could adversely affect our business, results of operations and financial condition.

The price at which we purchase our products from our suppliers or sell or products to overseas customers may also be affected if such products are imported or exported or subject to other foreign currency fluctuations. Any significant changes in the exchange rates of the HK$ against the RMB, SGD, MYR and MOP may adversely affect our cash flow, revenue, financial position, and the value of and dividends payable on our Shares in HK$.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders are different from those in Hong Kong

The Company is incorporated in the Cayman Islands and our corporate affairs are governed by our Memorandum and Articles, the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of minority shareholders' interests differ from those in Hong Kong in certain respects. Accordingly, some remedies available to our Company's minority shareholders may be different from those available to them under the laws of other jurisdictions. A summary of the applicable Cayman Island laws is set out in Appendix III to this prospectus.

RISKS RELATED TO THIS PROSPECTUS

You should read the entire prospectus carefully and should not rely on any information contained in press articles, other media or research analyst reports regarding us, our business, our industry and the Global Offering

There has been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press, media and/or research analyst coverage regarding us, our business, our industry and the Global Offering. Such press, media and/or research analyst coverage may include information that does not appear in this prospectus. We have not authorised the disclosure of any such information in such press, media and/or research analyst coverage and do not accept responsibility for any such press, media and/or research analysts coverage or the accuracy or completeness of any such information, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analysts regarding our Shares, the Global Offering, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or

opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, you are cautioned to make your investment decisions regarding our Shares on the basis of the information contained in this prospectus only and should not rely on any other information.

Certain facts and statistics in this prospectus relating to Hong Kong, Singapore, Malaysia, the PRC, Macau and their respective economies in which we operate are derived from third party market research report and may not be reliable

We have derived information and statistics in this prospectus relating to Hong Kong, Singapore, Malaysia, the PRC and Macau, their respective economies and industry from a commissioned third party market research report. For more information, see "Industry Overview − Source of Information." We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sponsor, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. Due to possible flawed collection methods, discrepancies between published information, different market practices or other problems, the statistics, projected industry data and other information relating to the economy and the industry derived from the third party market research report may be inaccurate or may not be comparable to or consistent with information available from other sources and should not be unduly relied upon. In all cases, you should give careful consideration as to how much weight or importance you should attach or place on such statistics, projected industry data and other information relating to the economy and the industry.

Forward-looking statements may not be accurate

This prospectus contains certain statements that are "forward-looking" and uses terminology such as, among others, "anticipate", "believe", "expect" and "should". Those statements include, among others, discussions of our Group's growth strategy and future operations. You are cautioned that relying on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate, and the forward-looking statements made based on such assumptions could also be incorrect. Accordingly, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by our Group that our plans and objectives will be achieved.

CONTINUING CONNECTED TRANSACTIONS

The Group has entered into and is expected to continue with certain transactions which would constitute non-exempt continuing connected transactions of the Group under the Listing Rules after the Listing. The Group has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for such non-exempt continuing connected transactions. Further information on such non-exempt continuing connected transactions and the waiver are set forth in the section headed "Connected Transactions" of this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

UNDERWRITING

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

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement. The International Placing is expected to be fully underwritten by the International Underwriter pursuant to the International Placing Agreement. The Global Offering is managed by the Sole Global Coordinator, and is subject to our Company, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price.

If, for any reason, the Offer Price is not agreed between our Company, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date, the Global Offering (including the Hong Kong Public Offering) will not proceed. For information about the Underwriters and the underwriting arrangements, see the section headed "Underwriting" of this prospectus.

RESTRICTIONS ON SALE OF OFFER SHARES

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

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the listing of, and the permission to deal in, our Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue, the Offer Shares to be issued pursuant to the Global Offering and any Shares which may be issued upon the exercise of any options that have been granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme. No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list on any other stock exchange is being or proposed to be sought in the near future.

SHARE REGISTER AND STAMP DUTY

All Offer Shares issued or sold under the Global Offering will be registered on our Company's register of members to be maintained in Hong Kong by the Hong Kong Share Registrar.

Our Shares are considered to be Hong Kong stock for the purpose of the Stamp Duty Ordinance and dealings in our Shares which are registered on our register of members through the Hong Kong Share Registrar will be subject to stamp duty in Hong Kong.

ELIGIBILITY FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange 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 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 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. 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 enabling our Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposal of or dealing in the Offer Shares. We, the Selling Shareholder, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors, officers or representatives or any other person or party involved in the Global Offering do not accept responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposal of or dealing in the Offer Shares.

PROCEDURE FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

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

STRUCTURE OF THE GLOBAL OFFERING

Further information on the structure of the Global Offering, including its conditions, is set out in the section headed "Structure of the Global Offering" of this prospectus.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail.

ROUNDING

Any discrepancies in any totals, sums of amounts and percentages listed in this prospectus are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
LAU Pak Fai Peter (劉栢輝)	Flat B, 36/F, Block 1 Sky Horizon 35 Cloud View Road Hong Kong	Chinese
NGAI Lai Ha (魏麗霞)	Flat A & B, 15/F, Tower 3 Residence Bel-Air Island South 28 Bel-Air Ave Hong Kong	Chinese
CHENG Sing Yuk (鄭聲旭)	Flat 13B, Block 3 180 Pokfulam Road Hong Kong	Chinese
Non-executive Directors		
CHUNG Tak Wai (鍾德偉)	Apt C, 1/F Hatton Place 1A Po Shan Road Mid-Levels Hong Kong	Chinese
YEUNG Yiu Keung (楊耀强)	Flat M1, 3rd Floor, Block M Hing Wah Mansion 1 Babington Path Mid-Levels Hong Kong	Chinese
Independent non-executive Directors		
TSUI Ka Yiu (徐家耀)	Flat D, 4/F, Seaview Parkridge Village Discovery Bay Hong Kong	Chinese
LO Wing Yan William (盧永仁)	9/F, Block D-1 Y.Y. Mansions 96 Pokfulam Road Hong Kong	Chinese
HUANG Lester Garson (黃嘉純)	14B Cypress Court World-Wide Gardens 2 Lung Pak Street Shatin, New Territories Hong Kong	Chinese

PARTIES INVOLVED

Sole Sponsor	BOCI Asia Limited 26th Floor, Bank of China Tower 1 Garden Road Central Hong Kong
Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager	BOCI Asia Limited 26th Floor, Bank of China Tower 1 Garden Road Central Hong Kong
Legal advisers to the Company	*As to Hong Kong law:* Woo, Kwan, Lee & Lo 26th Floor, Jardine House 1 Connaught Place Central Hong Kong *As to Cayman Islands law:* Conyers Dill & Pearman (Cayman) Limited Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands *As to Singapore law:* Rodyk & Davidson LLP 80 Raffles Place #33-00 UOB Plaza 1 Singapore 048624 *As to Malaysian law (save for laws of the states of Sabah and/or Sarawak):* Adnan Sundra & Low Level 11, Menara Olympia No. 8 Jalan Raja Chulan 50200 Kuala Lumpur Malaysia *As to PRC law:* Fangda Partners 21st Floor, China World Tower 1 Jianguomenwai Ave Beijing 100004 China

	As to Macau law: Rato, Ling, Vong, Lei & Cortés – Advogados Avenida da Amizade No º555 Macau Landmark, Office Tower 23º, 2301-2302, Macau
Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* Baker & McKenzie 23rd Floor, One Pacific Place 88 Queensway Hong Kong
Reporting Accountant	PricewaterhouseCoopers *Certified Public Accountants* 22nd Floor, Prince's Building Central Hong Kong
Receiving banks	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong

Registered office	Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111, Cayman Islands
Headquarters in Hong Kong and principal place of business registered under Part XI of the Companies Ordinance	20th Floor, Tower B Southmark, 11 Yip Hing Street Wong Chuk Hang, Hong Kong
Company website	www.japanhome.com.hk (Contents of this website do not form part of this prospectus)
Compliance adviser	Somerley Limited 20th Floor, Aon China Building 29 Queen's Road Central Hong Kong
Company secretary	Ms. Koo Ching Fan *ACIS, ACS(PE), FCCA*
Authorised representatives	Ms. Ngai Lai Ha Flat A & B, 15/F, Tower 3 Residence Bel-Air Island South 28 Bel-Air Ave Hong Kong Mr. Cheng Sing Yuk Flat 13B, Block 3 180 Pokfulam Road Hong Kong
Audit committee	Mr. Tsui Ka Yiu (Chairman) Mr. Yeung Yiu Keung Dr. Lo Wing Yan, William
Remuneration committee	Mr. Huang Lester Garson (Chairman) Ms. Ngai Lai Ha Mr. Chung Tak Wai Dr. Lo Wing Yan, William Mr. Tsui Ka Yiu
Nomination committee	Mr. Lau Pak Fai Peter (Chairman) Mr. Chung Tak Wai Mr. Tsui Ka Yiu Mr. Huang Lester Garson Dr. Lo Wing Yan, William

Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Central, Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Central, Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central, Hong Kong

HISTORY

The Company was incorporated in the Cayman Islands on 18 April 2013 as part of the Reorganisation. Upon completion of the Reorganisation, the Company became the ultimate holding company of our Group. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" under this section.

The history of our Group can be traced back to 1991 when it was founded by our chief executive officer and executive Director, Mr. Lau, and our executive Director, Ms. Ngai, with their own source of funding. In 1991, our first store under the brand name "Japan Home Centre" (日本城) selling mainly housewares products was opened in North Point, Hong Kong and we have been engaging in the housewares products retail business in Hong Kong ever since.

Since our establishment, we have expanded and diversified our business over the years and have become the leading housewares products retail chain in Hong Kong, Singapore and Macau with 235, 38 and five stores, respectively, as at the Latest Practicable Date.

BUSINESS DEVELOPMENT

We believe our Group was one of the pioneers to introduce the "one price store" concept from Japan to Hong Kong. In 1993, we established our first "HK$10 store" in Hong Kong, selling mainly housewares products imported from Japan at HK$10 each. By offering high quality products generally at the same price of HK$10 each, the introduction of the "HK$10 store" was welcomed by all walks of life in Hong Kong.

As our business continued to expand, we began to develop our own private label products for sale in our stores. As at the Latest Practicable Date, we had 21 registered trademarks in Hong Kong, two registered trademarks in Singapore and 14 registered trademarks in the PRC for our private label products. At present, we offer a wide range of housewares products under our private labels, including kitchenware, personal and health, plasticware, housekeeping, DIY and hardware, stationery and household electronics. We believe that we will be able to drive further growth and margin improvement by developing our private labels in the future.

From 2001 onwards, the business strategy of our operation changed from a "HK$10 store" model to a housewares products specialist store model, aimed at providing a one-stop platform to customers for purchasing a variety of housewares products at competitive prices. This major strategic change marked a significant new stage of our operation and since then we have further diversified our products portfolio so that the products offered by our Group appeal to and meet the needs of customers of varying income levels and ages. Many of the products we offer are affordable household necessities for which demand does not fluctuate significantly regardless of changes in overall market conditions. We have therefore been able to achieve sustainable growth in our sales, even during the global and Asian economic downturns in 2008.

Apart from specialising in the housewares products retail business, our Group has also launched different brands and diversified our business by re-positioning ourselves in the market. In 2002, our first store under the brand name "City Life" (生活提案) (formerly known as "City Lifestyle") was established in Hong Kong, offering housewares products similar to that of our brand "Japan Home Centre" (日本城) yet providing a relatively higher-end alternative in order to better serve the needs of different customers. In 2007, we opened our first Epo Gifts & Stationery (文具世代) store specialising in selling stationery and gifts in order to further expand our customer base to students and young customers.

Over the years, our Group has successfully expanded our business and retail network through acquisitions of our competitors' business in Hong Kong. In 2000, our Group extended our retail network in Hong Kong by acquiring the business of our major competitor at that time, namely, Nippon Warehouse Limited, which operated around 30 stores in Hong Kong at that time. As a result of another acquisition in 2007 of the business of our competitor at that time, namely Quality Housewares, we acquired around 19 stores, which further increased the number of our stores in Hong Kong. With our continuous growth and expansion in the local market, in the calendar year of 2012, we held a market share of approximately 69% of the housewares retail chains market in Hong Kong.

To better serve our customers' preference and to better control our margins, our Group also operates two in-house manufacturing facilities in Hong Kong, through JHC (Plastics) and JHC (Mirror), which we design and manufacture unique private label plastics and mirror products for sale exclusively in our stores. In 2010, our Group acquired a 60% equity interest in JHC (Plastics) from our controlling shareholders and Directors, Mr. Lau and Ms. Ngai, at par, at a consideration of HK$412,500 paid to Mr. Lau and HK$412,500 paid to Ms. Ngai. The acquisition was completed on 31 August 2010 and the total consideration was fully settled on the same date. In the same year, our Group also acquired a 60% equity interest in JHC (Mirror) from our controlling shareholders and Directors, Mr. Lau and Ms. Ngai, at par, at a consideration of HK$260,000 paid to Mr. Lau and HK$260,000 paid to Ms. Ngai. The acquisition was also completed on 31 August 2010 and the total consideration was fully settled on the same date. As a result of these acquisitions, JHC (Plastics) and JHC (Mirror) became our local joint venture companies, operating our in-house manufacturing facilities in Hong Kong.

In March 2010, Hiluleka transferred 40% of its equity interest in Matusadona to Red Home, an entity controlled by EQT Greater China II, at a total consideration of HK$224,000,000 and EQT Greater China II has since then become our strategic partner. EQT Greater China II makes investments primarily in Greater China and Southeast Asia and EQT Partners, which advises a group of private investment funds including EQT Greater China II, has been recognised as a leading investment adviser in the Nordic region and in German-speaking Europe. The aforesaid total consideration of the transaction was determined after taking into account the financial performance of Matusadona for the three financial years ended 30 April 2009 and for the eight months ended 31 December 2009, of which HK$202,000,000 was settled on 19 March 2010, being the date of completion of the transaction, and the remaining balance in the amount of HK$22,000,000 was settled on 18 March 2011. According to the relevant shareholders' agreement in relation to Matusadona, the rights and obligations of Red Home in respect of our Group will terminate with immediate effect upon Listing. Based on its expertise and experience, EQT Partners advises us on our overseas joint venture investments.

Starting from 2011, apart from expanding locally, our Group has also actively explored potential acquisition and/or joint venture opportunities in non-Hong Kong jurisdictions:

Singapore

In 2011, our Group acquired the business and assets of a leading housewares retail chain in Singapore owned by Japan Home Pte. Ltd. ("JHPL"), a company wholly-owned by Mr. Chin Chain Yong ("Mr. Chin"), which operated 17 stores in Singapore at that time. The consideration payable to JHPL for the acquisition consisted of a sum of SGD 2,025,000 in cash (subject to adjustment and retention) and a sum of SGD 2,350,000 (subject to retention) to be satisfied by the allotment and issue of 2,350,000 shares in JHC (Singapore). The total consideration was fully settled by May 2013 as agreed between the parties and was principally determined based

on the pre-money equity value of JHPL and the product sourcing business in PRC carried on by Mr. Chin. Subsequently, we operate the joint venture company in Singapore, namely, JHC (Singapore), with our joint venture partner, Mr. Chin who had made a capital contribution of SGD2,350,000 to JHC (Singapore), to continue to actively expand our retail business in Singapore.

Principal terms of the joint venture arrangement of JHC (Singapore) are summarised as follows:

(a) Board composition: Not more than five directors unless unanimously agreed by the shareholders, with two directors to be appointed by JHC (Management) and one director to be appointed by JHPL. The chairman of the board shall be appointed by JHC (Management) for so long as the shareholding percentage of JHC (Management) is not less than 50%. The chairman shall not be entitled to a second or casting vote;

(b) Quorum: (i) Two directors for a board meeting, including at least one director nominated by JHC (Management) and one director nominated by JHPL; (ii) two shareholders for a shareholders' meeting so long as JHC (Management) and JHPL each hold shareholding interests in JHC (Singapore);

(c) Minority protection: Customary clauses regulating shareholders' rights and obligations and for protection of minority shareholder's interests, including pre-emption rights, tag-along rights, drag-along rights and exit options;

(d) Lock-up: Restriction on Mr. Chin's transfer of his shares in JHPL for as long as JHC (Management) holds not less than 60% shareholding interest in JHC (Singapore); and

(e) Non-compete: JHPL, Mr. Chin and their respective affiliates shall not engage directly or indirectly in any competing business within Singapore and Malaysia without the written consent of JHC (Management).

As at the Latest Practicable Date, JHC (Singapore) operated 38 stores in Singapore, and we are now a well-established market leader in the housewares products retail chain business in Singapore in terms of revenue and the number of stores in 2012.

West Malaysia

The coverage of our business further extended to West Malaysia in 2011 by setting up our joint venture company, namely, JHC (Malaysia), with our joint venture partner, Mr. Lim Shek Han ("Mr. Lim") who had contributed a capital investment of MYR60,000 to JHC (Malaysia). Recently in May 2013, our Singapore joint venture partner, Mr. Chin, invested MYR1,806,927 in JHC (Malaysia) to subscribe for 1,806,927 shares in JHC (Malaysia) and therefore has become one of our joint venture partners in JHC (Malaysia).

Principal terms of the joint venture arrangement of JHC (Malaysia) are summarised as follows:

(a) Board composition: Not more than nine directors, with three to be appointed by JHC (Management) and two to be appointed by Mr. Chin. The chairman and the chief executive officer of JHC (Malaysia) shall be appointed by JHC (Management) and the chairman shall be entitled to a second or casting vote;

(b) Quorum: (i) Two directors present for a board meeting, including at least one director appointed by JHC (Management); (ii) two shareholders present for a shareholders' meeting in person or by proxy, including the proxy or representative of any shareholder(s) with a shareholding percentage of more than 50% in JHC (Malaysia);

(c) Minority protection: Customary clauses regulating shareholders' rights and obligations and for protection of minority shareholders' interest, including restriction on and conditions of transfer, rights of first offer, co-sale rights, drag-along rights and deadlock; and

(d) Non-compete: Each shareholder (including its affiliates) shall not for so long as it shall hold any shares in JHC (Malaysia) and for a period of two years from the date of transfer of the entirety of its shares in JHC (Malaysia), compete directly or indirectly with the business of JHC (Malaysia) or engage in any retail, wholesale or other business relating to housewares within Malaysia and Singapore.

As at the Latest Practicable Date, JHC (Malaysia) operated nine stores in West Malaysia.

PRC

In 2012, our Group entered the PRC market by acquiring certain assets in the PRC from Nanjing Yuguan Trading Company Limited* (南京育冠商貿有限公司), Suzhou Shuohui Trading Company Limited* (蘇州碩輝貿易有限公司) and certain individuals at a total consideration, determined on the basis of the value of the subject assets as appraised by a valuer in the PRC, amounting to RMB366,658, which was fully settled on 30 March 2012 (the "PRC Assets Acquisition"). Subsequent to the PRC Assets Acquisition, we and our PRC joint venture partner, Mr. Lin Ming Feng ("Mr. Mac Lin") who had contributed HK$101,406 as capital investment in Familj, and Mr. Wu Jiang ("Mr. Wu"), set up Familj, our joint venture company in Hong Kong, which wholly owns Living Plus (Nanjing), an operating subsidiary in the PRC. The existing board composition of Familj consists of four directors, of which Mr. Wu is a director and the other three directors were appointed by JHC (Management). The chairman was appointed by JHC (Management).

According to an amended and restated option agreement dated 30 March 2012 (the "Option Agreement") entered into between Familj and Mr. Wu, Familj granted conditional options to Mr. Wu which entitled him to subscribe for 1,455,000 shares in Familj at the exercise price of RMB284,457 within 18 months starting from 30 March 2012 (the "Mr. Wu's Option"). On 9 September 2013, Familj and Mr. Wu entered into a termination agreement to the Option Agreement (the "Termination Agreement"), whereby Mr. Wu agreed and confirmed to unconditionally and irrevocably waive all his rights to Mr. Wu's Option with effect from the date of the Termination Agreement. Mr. Wu's Option was therefore considered cancelled and lapsed pursuant to the Termination Agreement. In return, Familj agreed to pay RMB1,000,000 to Mr. Wu, of which (i) RMB800,000 was paid within 3 working days of the date of the Termination Agreement; and (ii) the remaining RMB200,000 shall be payable within 7 working days subject to among others, the condition that Mr. Wu procures the renewal of the leases of two of our retail stores in the PRC before 30 November 2013.

* *For identification purpose only*

Pursuant to an amended and restated shareholders' agreement dated 30 March 2012 (the "Shareholders' Agreement") entered into among Familj, JHC (Management), Mr. Mac Lin and Mr. Wu, it was agreed that immediately before completion of the Global Offering until 31 July 2016, JHC (Management) had the option to require Mr. Mac Lin and Mr. Wu (if Mr. Wu had exercised Mr. Wu's Option and had become a shareholder of Familj) (individually and collectively, the "Familj Investor(s)") to transfer all of his/their shares in Familj to JHC (Management) at nil consideration, and in return, the Company would allot and issue new Shares to the Familj Investor(s) (the "Company Conversion Option"). On the other hand, the Familj Investor(s), subject to the attainment of certain performance targets in respect of the business of Familj's PRC operations, had the option to transfer all of his/their shares in Familj to JHC (Management) at nil consideration, and in return, might require the Company to allot and issue new Shares to him/them (the "Investor Conversion Option"). On 9 September 2013, Familj, JHC (Management), Mr. Mac Lin and Mr. Wu entered into a supplemental agreement to the Shareholders' Agreement (the "Supplemental Agreement"), whereby (i) JHC (Management) agreed and confirmed to waive all its rights to the Company Conversion Option with effect from the date of the Supplemental Agreement; and (ii) each of Mr. Mac Lin and Mr. Wu agreed and confirmed to waive all their respective rights to the Investor Conversion Option with effect from the date of the Supplemental Agreement. As at the date of the Supplemental Agreement, neither the Company Conversion Option nor the Investor Conversion Option had been exercised. The Conversion Options were considered cancelled and lapsed pursuant to the Supplemental Agreement. Pursuant to the Supplemental Agreement, the Shareholders' Agreement will automatically terminate upon Listing.

Since 2012, we have continued to develop our business in the PRC through Living Plus (Nanjing). As at the Latest Practicable Date, we operated six stores in Jiangsu province and Shanghai.

Taiwan

With a view to strengthening our merchandising function in Taiwan, in July 2012, our Group acquired a 100% interest in JHC (Taiwan) from our controlling shareholders and Directors, Mr. Lau and Ms. Ngai at cost, at a consideration of NT$500,000 paid to Mr. Lau and NT$500,000 paid to Ms. Ngai. The total consideration was fully settled on 18 July 2012, being the date of completion of the transaction. As at the Latest Practicable Date, JHC (Taiwan) was an indirect wholly-owned subsidiary of our Group.

Macau

With a view to strengthening our retail network in Macau, on 15 April 2013, our Group acquired a 100% interest in JHC (Macau) from our Controlling Shareholders and Directors, Mr. Lau and Ms. Ngai, at a consideration of HK$4,000,000 paid to Mr. Lau and HK$4,000,000 paid to Ms. Ngai. The consideration amount was determined by taking into account the net profit of JHC (Macau) as at 31 December 2012. The total consideration was fully settled on 12 April 2013. As at the Latest Practicable Date, JHC (Macau) operated five stores in Macau.

For the interest of our Group and our future development, we will continue to explore any potential local and/or overseas merger or acquisition if and when an appropriate and suitable opportunity arises.

In addition to our retail business in Hong Kong, Singapore, West Malaysia, the PRC and Macau, since 2002 we have been expanding our business in the overseas market through our export sales and other operating arrangements with local entities in certain overseas jurisdictions, including the Philippines, East Malaysia, Saudi Arabia, United Arab Emirates, New Zealand and Indonesia. Our export business has successfully established a steady export sales channel to the Philippines and we had ten licenced stores through operating arrangements with local entities in East Malaysia, Saudi Arabia, New Zealand, Indonesia and Cambodia as at the Latest Practicable Date. In view of the rising demand for high quality housewares products at competitive prices, our Group will continue to promote and expand our overseas business through export sales and other operating arrangements with local entities.

Our leading market position, history and reputation make us a credible iconic housewares products retail chain brand well-known in Hong Kong for decades. The key milestones of the business development of our Group are summarised as follows:

Year	Key milestones
1991	The first store was opened in North Point, Hong Kong
1993	The first "HK$10 store" was opened in Hong Kong
2000	Acquisition of the business of a major competitor at that time, Nippon Warehouse Limited
2001	A major strategic change of business model from a "HK$10 store" model to a "housewares products specialist store" model
2002	Exploration of overseas market through export sales and operating arrangements with local entities
	Establishment of new stores in Hong Kong under the new brand "City Life" (生活提案) (formerly known as "City Lifestyle")
	Launch of our own private label products
2004	Awarded "Quality Tourism Services" certificate, "Superbrands" certificate and "Caring Company" logo by various recognised organisations
2005	Our private label products had been exported to more than nine overseas jurisdictions through our export sales and overseas operating arrangements with local entities in certain overseas jurisdictions
2006	Participation in the "Hong Kong Q-Mark Services Scheme" and was certified with the high service award

Year	Key milestones
2007	Acquisition of the business of our competitor at that time, Quality Housewares, which operated around 19 stores
	Establishment of new stores in Hong Kong under the then new brand "Epo Gifts & Stationery"
	Awarded "Hong Kong Top Service Brand" and "The Best Brand Enterprise Award 2007 (Greater China)"
2009	Total number of stores including "Japan Home Centre" (日本城), "City Life" (生活提案) and "Epo Gifts & Stationery" (文具世代) exceeded 200 in Hong Kong, including the first "Japan Home Centre" (日本城) superstore, which occupies an area of over 6,000 square feet in Sau Mau Ping, Kwun Tong
	Awarded "The 5 Consecutive Years Caring Company" logo
2010	EQT Greater China II acquired a 40% stake in our Group and became our strategic partner
2011	Sales exceeded HK$1 billion
	Acquisition of a leading housewares retail chain business in Singapore and formation of our joint venture arrangement in Singapore
	Expansion of our retail network to West Malaysia through formation of our joint venture arrangement in West Malaysia
2012	Expansion of our retail network to the PRC through acquisition of assets and formation of our joint venture company in Hong Kong, Familj, which wholly owns our operating subsidiary in the PRC
2013	Acquisition of 100% interest in JHC (Macau) which operated five stores in Macau
	As at the Latest Practicable Date, our Group had: (i) 240 stores in Hong Kong and Macau; (ii) 53 stores in Singapore, West Malaysia and the PRC operating under overseas joint venture companies; and (iii) ten licenced stores in East Malaysia, Saudi Arabia, New Zealand, Indonesia and Cambodia through other operating arrangements with our overseas business partners.

CORPORATE DEVELOPMENT

As at the Latest Practicable Date, our Group comprised our Company and 14 subsidiaries established in the BVI, Hong Kong, Singapore, West Malaysia, the PRC, Taiwan and Macau. For details of the shareholding structure and the principal business activities of our subsidiaries, please refer to note 1 to the Accountant's Report contained in Appendix I to this prospectus and the group structure charts under the paragraph headed "Group Structure" below.

REORGANISATION

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

Incorporation of the Company

On 18 April 2013, our Company was incorporated in the Cayman Islands, and 600 Shares and 400 Shares were issued in the name of Hiluleka and Red Home, respectively.

Increase in the authorised share capital of the Company

On 4 September 2013, the authorised share capital of the Company was increased from HK$390,000 divided into 3,900,000 Shares to HK$1,000,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,996,100,000 Shares.

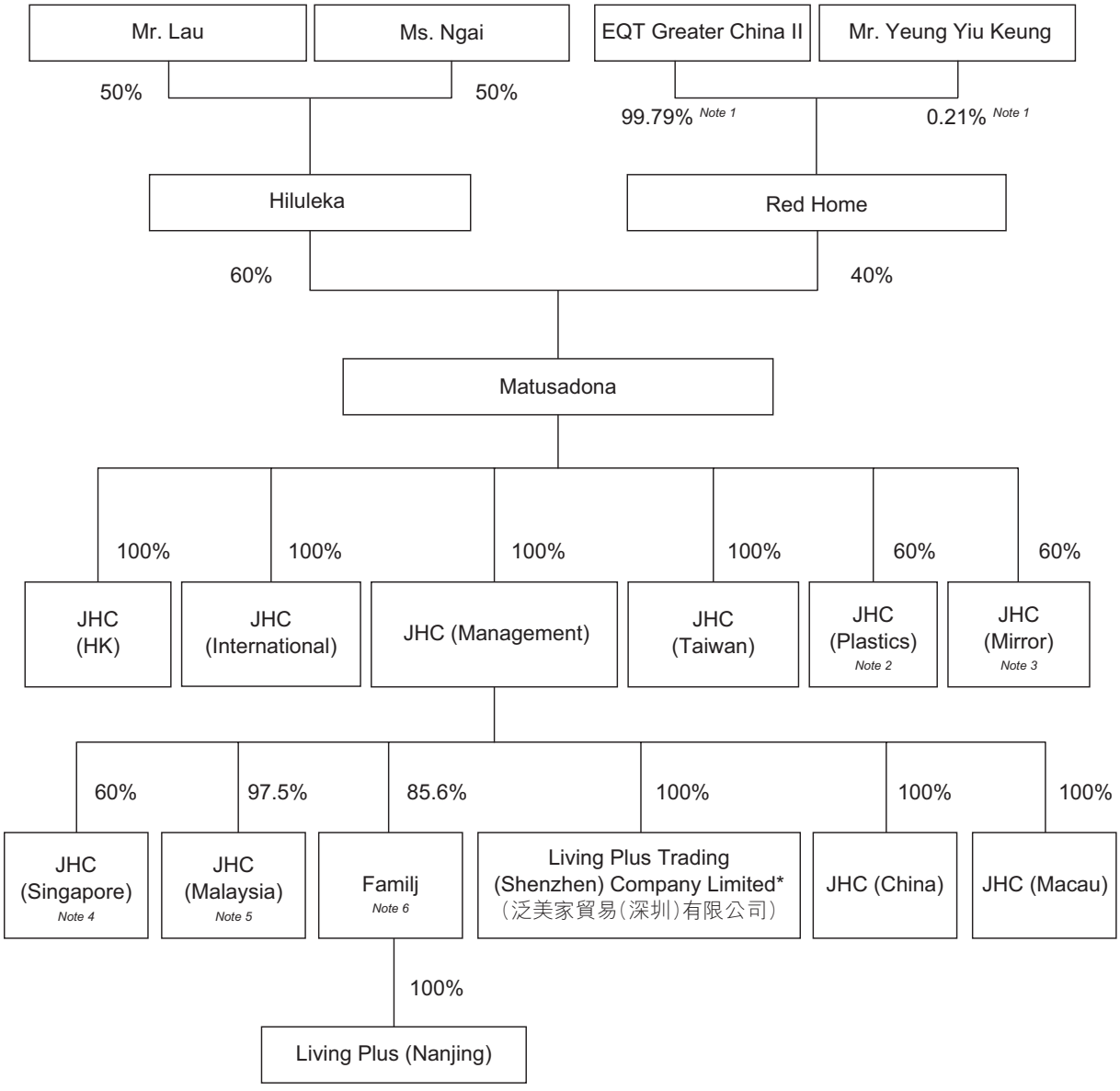
Share transfers of Matusadona

On 10 September 2013, the Company (as purchaser) entered into a sale and purchase agreement with Hiluleka and Red Home (as vendors) and each of Mr. Lau, Ms. Ngai, Hiluleka and Red Home (as warrantors), pursuant to which the Company acquired 6,000,000 shares and 4,000,000 shares of Matusadona from Hiluleka and Red Home, respectively (representing 60% and 40% of the total issued shares of Matusadona, respectively), and in return, the Company allotted and issued 5,999,400 Shares to Hiluleka and 3,999,600 Shares to Red Home, all credited as fully paid, as consideration for the acquisitions of the shares in Matusadona. Immediately after completion of the Reorganisation, the Company was held as to 6,000,000 Shares by Hiluleka and 4,000,000 Shares by Red Home (representing 60% and 40% of the Company's total issued shares, respectively).

GROUP STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately before the Reorganisation:

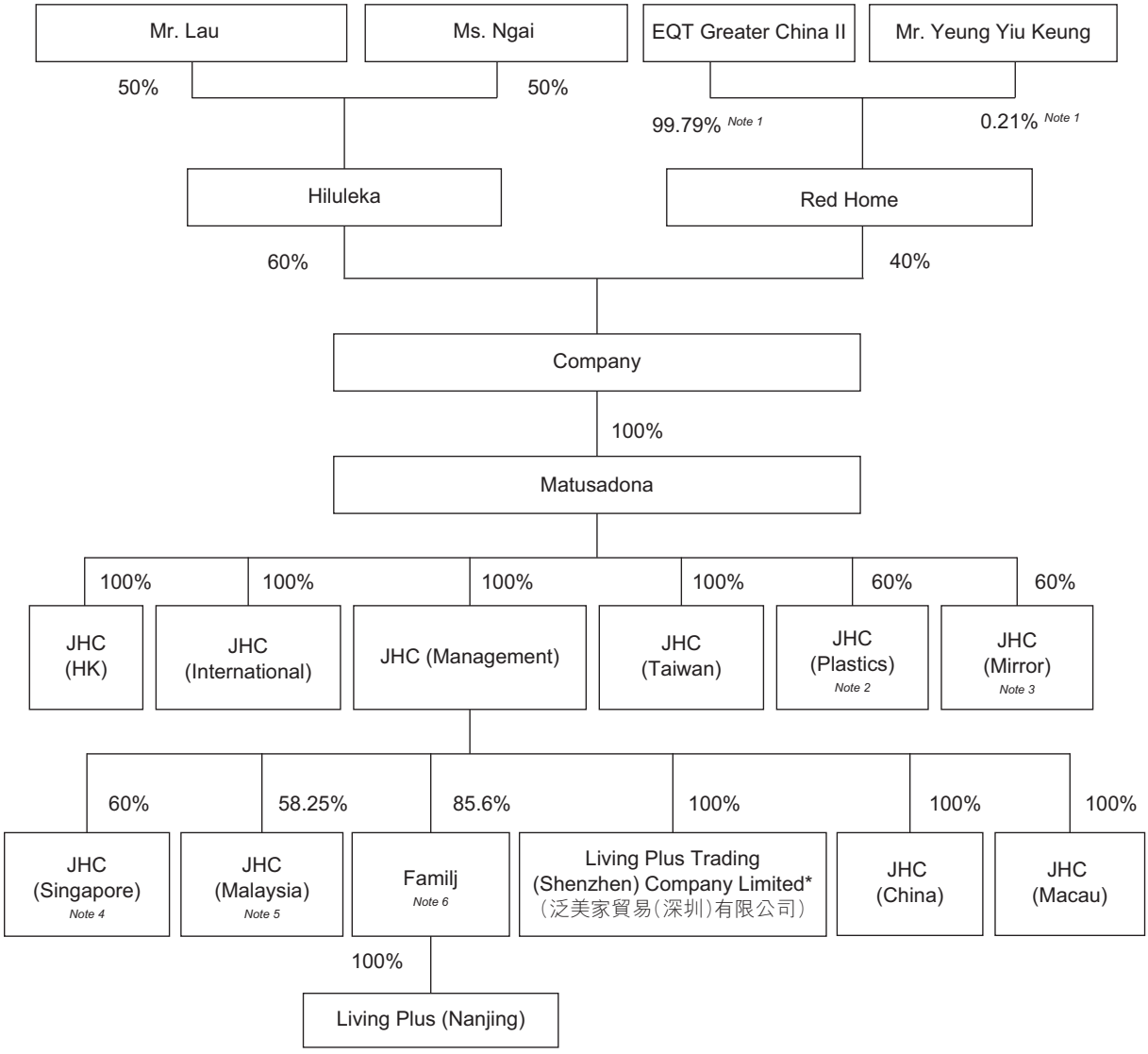
Group structure immediately before the Reorganisation



* *For identification purpose only*

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

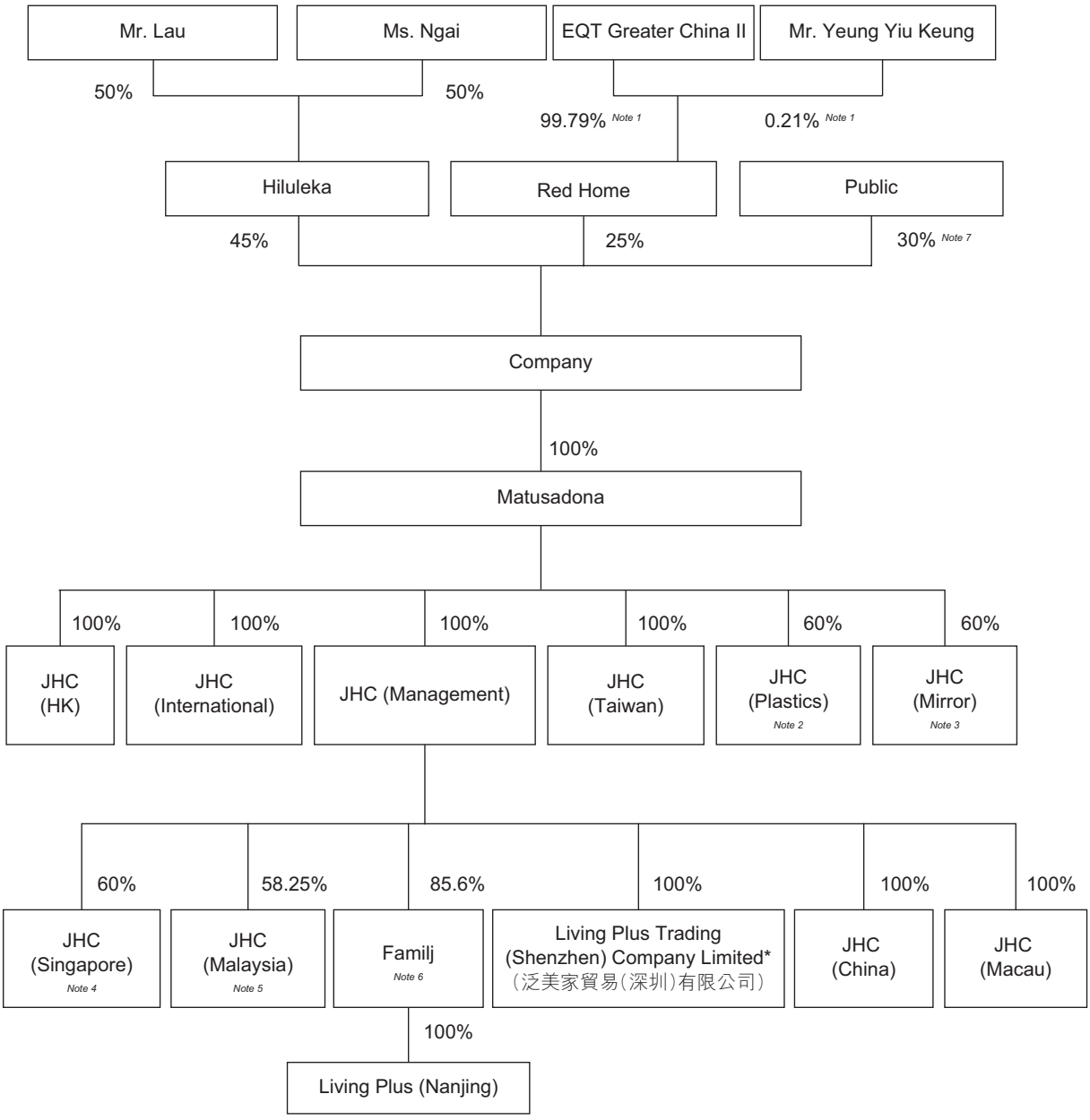
Group structure immediately after the Reorganisation but before the Global Offering and the Capitalisation Issue



* *For identification purpose only*

The following chart sets out the shareholding and corporate structure of our Group immediately upon completion of the Global Offering and the Capitalisation Issue (assuming the Over-Allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme):

Group structure immediately after the Global Offering and the Capitalisation Issue



Note 1: Home Holding Guernsey Limited and Profit Surplus International Limited respectively hold 710,149 and 3,226 ordinary shares in Red Home (together representing the entire issued ordinary share capital of Red Home). Home Holding Guernsey Limited and Profit Surplus International Limited also respectively hold 2,377,122 and 3,226 redeemable, convertible and non-voting preference shares in Red Home. Since EQT Greater China II holds a 100% interest in Home Holding Guernsey Limited and Mr. Yeung Yiu Keung holds a 100% interest in

* *For identification purpose only*

Profit Surplus International Limited, therefore EQT Greater China II and Mr. Yeung Yiu Keung are interested in approximately 99.79% and 0.21% shareholding interest in Red Home respectively.

Note 2: As at the Latest Practicable Date, JHC (Plastics) was held as to 60% by Matusadona and as to 40% by Mr. Suen Lap Che, an Independent Third Party other than being a director and substantial shareholder of JHC (Plastics).

Note 3: As at the Latest Practicable Date, JHC (Mirror) was held as to 60% by Matusadona, as to 20% by Mr. Ho Ying Chuen, an Independent Third Party other than being a director and substantial shareholder of JHC (Mirror) and as to 20% by Ms. Kong Suk Ngan, an Independent Third Party other than being a substantial shareholder of JHC (Mirror).

Note 4: As at the Latest Practicable Date, JHC (Singapore) was held as to 60% by JHC (Management) and as to 40% by Japan Home Pte. Ltd., which is 100% owned by Mr. Chin Chain Yong, an Independent Third Party other than being a director and substantial shareholder of JHC (Singapore) and a substantial shareholder of JHC (Malaysia).

Note 5: As at the Latest Practicable Date, JHC (Malaysia) was held as to 58.25% by JHC (Management), as to 40.41% by Mr. Chin Chain Yong, an Independent Third Party other than being a substantial shareholder of JHC (Malaysia) and a director and substantial shareholder of JHC (Singapore), and as to 1.34% by Mr. Lim Shek Han, an Independent Third Party but for his shareholding interest in JHC (Malaysia).

Note 6: As at the Latest Practicable Date, Familj was held as to 85.6% by JHC (Management) and as to 14.4% by Mr. Mac Lin, an Independent Third Party other than being a substantial shareholder of Familj.

Note 7: Immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account Shares upon exercise of any options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), approximately 3.42% of the issued share capital of the Company will be held by Cornerstone Investor as described under the section headed "Cornerstone Investor" of this prospectus.

In addition, certain information in this section is extracted from an industry report prepared by Frost & Sullivan, dated 9 September 2013 (the "Frost & Sullivan Report"), which we commissioned. For a discussion of the sources, methodologies, bases and assumptions used in preparation of the Frost & Sullivan Report, see "– Source of Information." We believe that these sources are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any material fact has been omitted that would render such information and statistics false or misleading. The information in this section has not been independently verified by us, the Selling Shareholder, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any other person or party involved in the Global Offering and no representation is given as to its accuracy, completeness or fairness. References to 2012 in this section refer to the calendar year 2012.

This section contains information and statistics relating to the housewares products market in Hong Kong, Singapore, Malaysia, the PRC and Macau, in which we operate. According to the Frost & Sullivan Report, housewares products include products primarily used within the household, such as tableware, kitchenware, small electrical appliances, stationery, daily hardware, housekeeping items and plasticware. In Hong Kong, Singapore, Malaysia, the PRC and Macau, housewares products are generally retailed through the following types of retail channels: supermarkets, housewares retail chains, furniture stores, mom-and-pop housewares stores and department stores. Together, housewares retail chains and mom-and-pop housewares stores comprise housewares specialised stores.

SUMMARY

Consumer consumption patterns

According to the Frost & Sullivan Report, consumers in different regions share the following consumption patterns.

- Price is a key criteria when purchasing housewares products, and consumers are likely to shop around for the best price. In addition, consumers exhibit a preference for retailers that are able to provide value-for-money products.

- Product design, which refers to functionality as well as appearance, is a key factor, as consumers prefer products that are easy to use. Product quality is also an important consideration.

- Consumers prefer to visit stores that are easily accessible and conveniently located. Furthermore, consumers are likely to make quick purchases from stores that are located nearby, or to drop in for purchases at stores that are located on their way home or to other places.

- The current trend has been a preference for purchasing housewares products from retailers with well-established brands, as these retailers are considered to be trustworthy sources of housewares products. As a result, such well-known retailers generally enjoy a high degree of loyalty among local consumers.

Key success factors for housewares retailers

According to the Frost & Sullivan Report, the following key success factors for housewares retailers are shared across markets.

- Extensive range of value-for-money products: successful retailers generally offer a wide range of value-for-money products, providing consumers with a variety of choices that meet varying needs. In addition, adjusting product portfolio on a store-by-store basis enables retailers to better serve the actual demand of the surrounding local consumers.

- Efficient and effective management: good management facilitates sound development of a retailer's business. Without strong management principles, it is generally difficult to sustain long-term development and growth.

- Strong sourcing capability: the ability to establish and maintain a stable, reliable and efficient sourcing channel is also critical to the success of retail operations, as this helps to ensure product quality while keeping operational costs low.

- Wide retail coverage and sound store location: retailers that establish wide geographical coverage of their retail network, with favourable and convenient store locations, are better positioned to compete successfully.

- High brand awareness: retailers with high brand awareness enjoy a greater degree of consumer confidence, resulting in increased customer visits and growth in sales.

HONG KONG

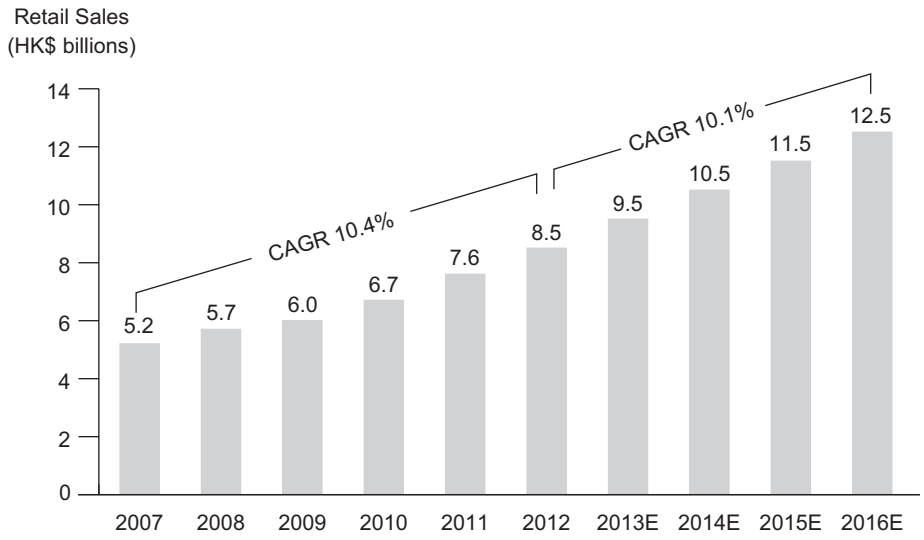
Macroeconomic characteristics of the economy relevant to the housewares retail chain industry

The Hong Kong economy has maintained steady growth since recovering from the global financial crisis in 2009, and is expected to continue growing. Nominal GDP was HK$1,896.7 billion in 2011 and is forecasted to grow at a CAGR of 6.7% to HK$2,621.6 billion in 2016. In line with Hong Kong's GDP growth, nominal GDP per capita grew at a CAGR of 7.2% from 2009 to 2011. Although the growth rate of Hong Kong's nominal GDP per capita slowed to 4.6% in 2012 due to an overall slow down of the global economy, Hong Kong's nominal GDP per capita is expected to reach HK$353,231.7 in 2016, representing a CAGR of 5.8% from 2011.

The Hong Kong housewares products market

The housewares products market in Hong Kong grew at a faster pace than nominal GDP, at a CAGR of 10.4%, from HK$5.2 billion in 2007 to HK$8.5 billion in 2012. Total retail sales of housewares products are expected to grow at a CAGR of 10.1% to reach HK$12.5 billion in 2016 as the economy continues to improve and per capita expenditures increase.

Total Retail Sales of Housewares Products (Hong Kong), 2007–2016E



Source: Frost & Sullivan Report

Driven by an increase in disposable income, improved standards of living and an increased demand for high quality products, per capita expenditures on housewares products increased at a CAGR of 9.7% from 2007 to 2012, including during the overall economic slowdowns in 2009 and 2012. Per capita expenditures on housewares products grew from HK$746 in 2007 to HK$1,183 in 2012, and are expected to increase to HK$1,683 in 2016, representing a CAGR of 9.2% from 2012.

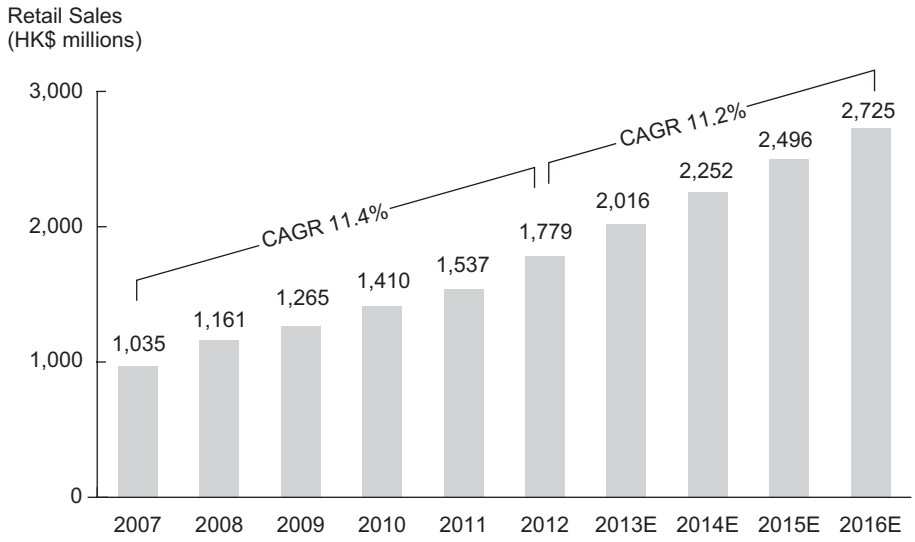
The following table illustrates the key differences between the primary types of retail channels for housewares products in Hong Kong:

Channel	Store sizes and network	Products offered
Supermarkets (key players: Wellcome, PARKnSHOP)	• Large store sizes • Extensive store network	• Many product categories, including food items, daily necessities and housewares products • Housewares products offered as non-core category • May include private branded products
Housewares retail chains (key player: Japan Home Centre).....	• Varying store sizes • Varying network sizes	• Wide range of housewares products • Focus on housewares products • May include private branded products
Furniture stores (key players: IKEA, Pricerite)	• Large store sizes • Limited store network	• Wide range of furniture products • Includes a selection of housewares products
Mom-and-pop housewares stores.....	• Small store sizes • Non-chain individual business	• Range of products includes daily necessities and housewares products • Low-end products, no private branded products
Department stores (key players: Wing On, Sincere).....	• Large store sizes • Limited store network	• Many product categories, including clothing, cosmetics, food items and housewares products • Housewares products offered as non-core category • Higher end housewares products

The Hong Kong housewares retail chains market

The housewares retail chains market experienced steady growth in market size at a CAGR of 11.4% from 2007 to 2012, and is expected to grow at a CAGR of 11.2% from 2012 to 2016, higher than the growth of 10.1% in sales of housewares products by all retail channels during the same period.

Total Retail Sales of Housewares Retail Chains Market (Hong Kong), 2007–2016E



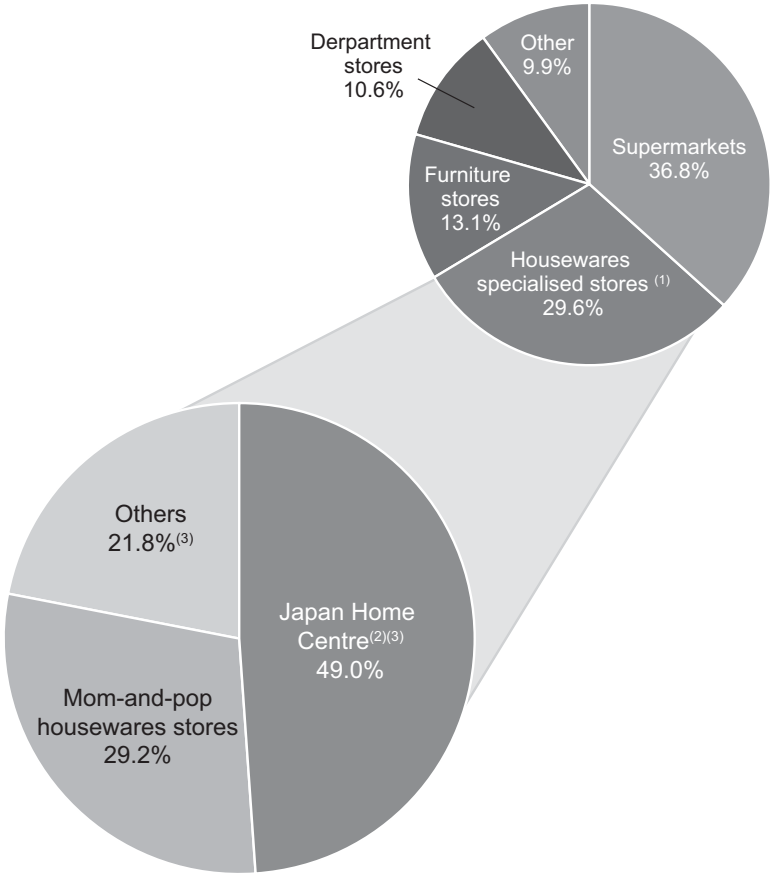
Source: Frost & Sullivan Report

According to the Frost & Sullivan Report, housewares retail chains represented the second largest retail channel of housewares products in Hong Kong in 2012, with a 21.0% market share in terms of revenue. Housewares retail chains in Hong Kong specialise in and offer a wide range of housewares products through a network of multiple retail stores. They are typically located near residential areas close to their target consumers and are flexible in their supply of products on a per-store basis, enabling them to provide easy accessibility and closely tailor their offerings to local demographics. Moreover, most housewares retail chains are operated under modern management principles and have strong sourcing capabilities as well as the ability to provide a comfortable shopping environment. According to a consumer survey conducted by Frost & Sullivan, Japan Home Centre is a "top-of-mind" destination for housewares products.

Housewares retail chains is a retail channel of housewares products. Housewares retail chains, together with mom-and-pop housewares stores, comprise the housewares specialised stores market which represented 29.6% of the housewares products market in 2012. Housewares retail chains and mom-and-pop housewares stores represented 21.0% and 8.6%, respectively, of the housewares products market in terms of revenue in 2012. Japan Home Centre operates in the housewares specialised stores market, and as a housewares retail chain, is a key market participant. In 2012, Japan Home Centre had a market share of approximately 69% among the housewares retail chains in Hong Kong and had a market share of approximately 49.0% of the housewares specialised stores market in Hong Kong.

In 2012, within the housewares specialised stores market, mom-and-pop housewares stores had a 29.2% market share, which was less than Japan Home Centre's market share of 49.0%, with 231 stores. The second largest housewares retail chain, Living Plaza by AEON, had a market share of 6.7% of the housewares specialised stores market, with 29 stores, in 2012. Other competitors include small-scale retail chains, none of which had more than 20 stores in 2012. The diagram below illustrates the breakdown of housewares products retail sales by retail channel, and the relative market share of major retailers in the housewares specialised stores market, in Hong Kong:

Breakdown by Retail Channels and Market Share (Hong Kong), 2012



(1) The housewares specialised stores market comprises housewares retail chains and mom-and-pop housewares stores

(2) Includes Japan Home Centre, City Life and Epo Gifts & Stationery stores

(3) Japan Home Centre and others constitute housewares retail chains.

Source: Frost & Sullivan Report

According to the Frost & Sullivan Report, brand recognition is an important barrier to entry to the housewares retail chains market, as new entrants must invest efforts and resources to establish and build a brand.

Current market drivers and trends

According to the Frost & Sullivan Report, the following are the primary market drivers and expected trends in the Hong Kong housewares products and retail chains markets.

- Stable economic growth and increasing per capita income, resulting in a corresponding increase in consumer spending power, is expected to drive demand for, and higher spending on, necessities such as housewares products.

- Demand for housewares products is driven by consumers who purchase a large number and variety of housewares products when they move, renovate or redecorate their homes.

- Hong Kong consumers are expected to pursue better quality, value-for-money products, with an increased preference for branded housewares products as disposable income and standards of living rise.

- The increasing popularity of branded housewares retail chains is expected to result in continued market consolidation in the housewares products market as dominant retail chains capture additional market share from other retail channels.

- Expenditure on household goods is expected to increase as tourism in Hong Kong increases. The PRC continued to be the single largest source of visitors to Hong Kong, with 34.9 million arrivals in 2012, accounting for 71.8% of total arrivals. Chinese tourists not only shop for luxury products, but also purchase daily necessities including housewares products due to better quality, higher value-for-money and larger variety as compared to China.

- The popularity of in-store browsing as a leisure activity in Hong Kong and the convenient locations and operating hours of retail stores will continue to support physical stores as the primary purchasing channel for housewares products.

- Large scale retailers are likely to increase their efforts to penetrate overseas markets such as the PRC and Southeast Asia in order to capitalise on the high economic growth rates and large potential customer bases in these regions.

SINGAPORE

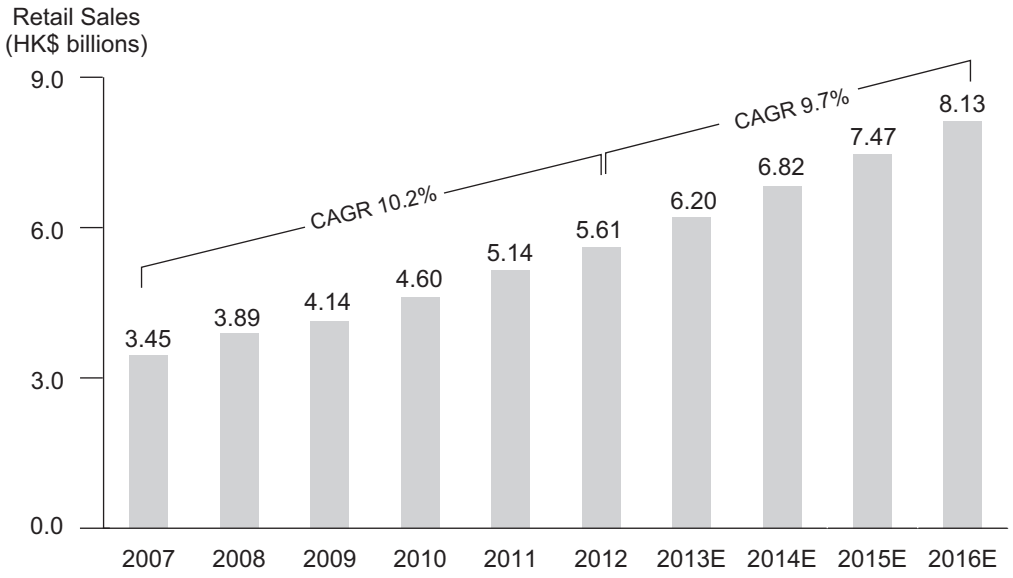
Macroeconomic characteristics of the economy relevant to the housewares retail chain industry

Although Singapore was impacted by the global financial crisis in 2008 and 2009, its economy rebounded in 2010. Nominal GDP was HK$1,998.9 billion in 2011 and is forecasted to grow at a CAGR of 5.3% to HK$2,585.0 billion in 2016. Singapore's nominal GDP per capita, one of the highest in the world, grew from HK$325,283.4 in 2009 to HK$379,011.8 in 2011, representing a CAGR of 7.9%. Singapore's nominal GDP per capita is forecasted to reach HK$449,648.3 in 2016, representing a CAGR of 3.5% from 2011.

The Singapore housewares products market

The housewares products market in Singapore has experienced steady growth from HK$3.5 billion in 2007 to HK$5.6 billion in 2012, representing a CAGR of 10.2%. This growth has been driven by increases in per capita expenditures as well as the growing population in Singapore, due in part to an influx of immigrants. As the Singapore population continues to increase, the housewares products market is expected to grow at a CAGR of 9.7% from 2012 to 2016, and reach HK$8.1 billion by 2016. Per capita expenditures on housewares products in Singapore grew from HK$752 in 2007 to HK$1,045 in 2012 and is forecasted to reach HK$1,413 in 2016, representing a CAGR of 7.8% from 2012.

Total Retail Sales of Housewares Products (Singapore), 2007–2016E



Note: Both the historical and forecast data was converted to HK$ based on 2012 year exchange rate.
Source: Frost & Sullivan Report

The housewares products market in Singapore is characterised by a growing number of consumers, new market entrants and corresponding competition for market share, and undifferentiated products and services among competitors. Hypermarkets, supermarkets and mom-and-pop stores are popular retail channels in Singapore. However, due to their weaker sourcing capability and lower-end product offerings, mom-and-pop stores are gradually being replaced by established housewares retail chains. As in Hong Kong, online shopping is not a popular retail channel for housewares products in Singapore, as consumers generally prefer to purchase products from physical stores.

The Singapore housewares market

Housewares retail chains represented 2.9% of the housewares products market in terms of revenue in the calendar year 2012. In the calendar year 2012, Japan Home Centre had a market share of approximately 75% of the housewares retail chains market in Singapore. Japan Home's market share in the Singapore housewares specialised stores market was 10.4% in the calendar year 2012, while mom-and-pop housewares stores comprised the largest portion of the market with 86.1%.

Because market share among mom-and-pop housewares stores is highly fragmented, each individual participant in the mom-and-pop segment represents a small portion of the housewares specialised stores market. Consequently, Japan Home was the leading individual retailer in this market in 2012. Daiso Japan ("Daiso") was the second largest participant in the housewares specialised stores market with a market share of 3.5%.

Our Company and Daiso are the two major housewares retail chains in Singapore. In 2012, we had a market share of 75% of the housewares retail chains market in terms of revenue, with approximately 30 stores compared to Daiso's ten stores. According to the Frost & Sullivan Report, Japan Home stores are located in both business and residential areas, whereas Daiso stores are only located in business areas, therefore catering to different consumer bases. Japan Home stores in Singapore offer an extensive product range, whereas Daiso's product portfolio is more limited as most of its items are priced at approximately SGD2. New entrants must compete for market share with established chains such as Japan Home and Daiso, who have already established a loyal consumer base and strong brand recognition.

Current market drivers and trends

According to the Frost & Sullivan Report, the following are the primary market drivers and expected trends in the Singapore housewares products and retail chains markets.

- Rising income levels, consistent with the steady growth of the Singapore economy, has resulted in increasingly higher standards of living and correspondingly higher consumer standards for product quality, product functionality and shopping environment. This presents a market opportunity for housewares retail chains.

- The increasing popularity of housewares retail chains is expected to drive the continued consolidation of the housewares products market, as housewares retail chains have the competitive advantages to capture additional market share from other retail channels for housewares products.

- First movers who have established a loyal customer base, strong brand name and strong sourcing capabilities enjoy competitive advantages against new market entrants.

MALAYSIA

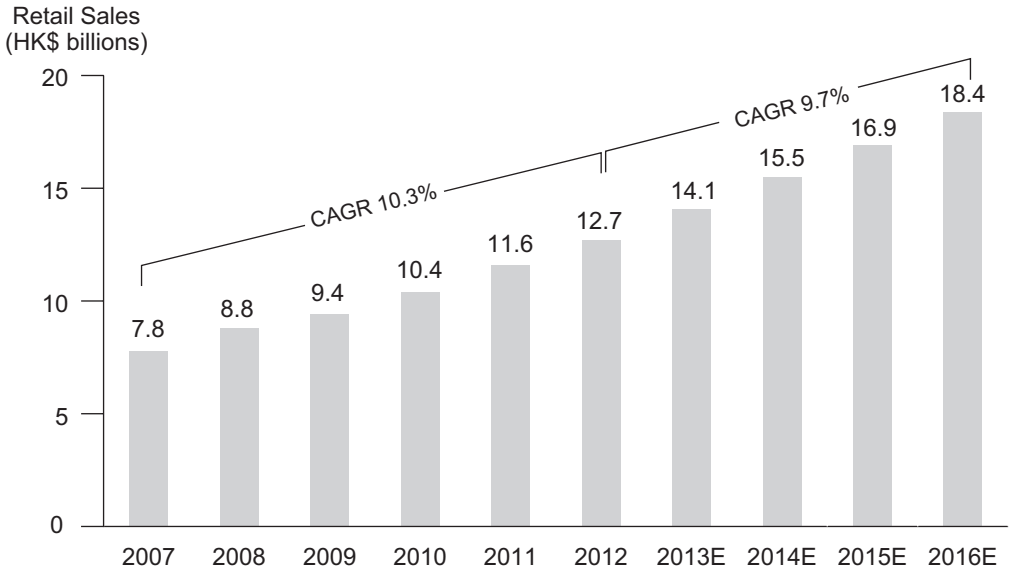
Macroeconomic characteristics of the economy relevant to the housewares retail chain industry

The Malaysian economy has grown in recent years, driven primarily by a series of policies and incentives by the Malaysian government to improve its economic structure and stimulate the economy in response to the financial crisis. Nominal GDP steadily increased at a CAGR of 11.2% from 2009 to 2011, while its nominal GDP is forecasted to reach HK$3,249.8 billion in 2016, representing a CAGR of 7.9% from 2011. Malaysia's nominal GDP per capita grew at a CAGR of 9.9% from 2009 to 2011, and is forecasted to reach HK$104,618.5 in 2016, representing a CAGR of 6.1% from 2011.

The Malaysia housewares products market

According to the Frost & Sullivan Report, the housewares products market in Malaysia experienced steady growth in retail sales from approximately HK$7.8 billion in 2007 to HK$12.7 billion in 2012, representing a CAGR of 10.3%. This growth was driven primarily by increasing per capita expenditures as well as the growing population. Per capita expenditures on housewares products in Malaysia grew from HK$286 in 2007 to HK$438 in 2012 and is expected to reach HK$593 in 2016, representing a CAGR of 7.9%. Retail sales of housewares products are forecasted to continue to grow from 2012 to 2016, at a CAGR of 9.7%, and reach HK$18.4 billion in 2016.

Total Retail Sales of Housewares Products (Malaysia), 2007–2016E



Note: Both the historical and forecast data was converted to HK$ based on 2012 year exchange rate.
Source: Frost & Sullivan Report

The Malaysian housewares market

Housewares products are primarily sold in Malaysia through hypermarkets and supermarkets, particularly in urban areas. Mom-and-pop housewares stores are also common, but they typically serve local neighborhoods and provide a relatively limited range of products. To a lesser extent, housewares products are also sold in housewares retail chains, which are still at an early stage of development in Malaysia, as well as department stores, furniture stores or through other direct sales methods.

As in Singapore, Daiso and Japan Home Centre are the primary retail chains in the Malaysian housewares retail chains market. Daiso opened its first store in Malaysia in 2008 and operated nine stores in 2012, and as at 30 April 2013, Japan Home Centre had nine stores in West Malaysia and two licenced stores in East Malaysia. Daiso currently has a high brand awareness among local consumers. In 2012, competition among different retail channels was greater than competition within the same retail channel.

According to the Frost & Sullivan Report, there are various barriers to entry to the housewares retail chains market in Malaysia. The Malaysian government has issued a series of detailed requirements for foreign investors in order to protect and encourage local businesses. Therefore, in addition to competing with other housewares retail channels, foreign housewares retail chains must also meet these additional government requirements which are not imposed on local competitors. Foreign housewares retail chains must also become familiar with the local market and unique customer demographics.

Current market drivers and trends

According to the Frost & Sullivan Report, the following are the primary market drivers and expected trends in the Malaysia housewares products and retail chains markets.

- Rising income levels, consistent with the steady growth of the Malaysia economy, has resulted in increasingly higher standards of living and correspondingly higher consumer standards for product quality, product functionality and shopping environment. This presents a market opportunity for housewares retail chains.

- As Malaysia continues to progress in urbanization, consumer lifestyles are expected to become busier and consumption patterns will likely change, with modern retail channels increasing in popularity.

- The increasing popularity of housewares retail chains is expected to drive the continued consolidation of the housewares products market, as housewares retail chains have the competitive advantages to capture additional market share from other retail channels for housewares products.

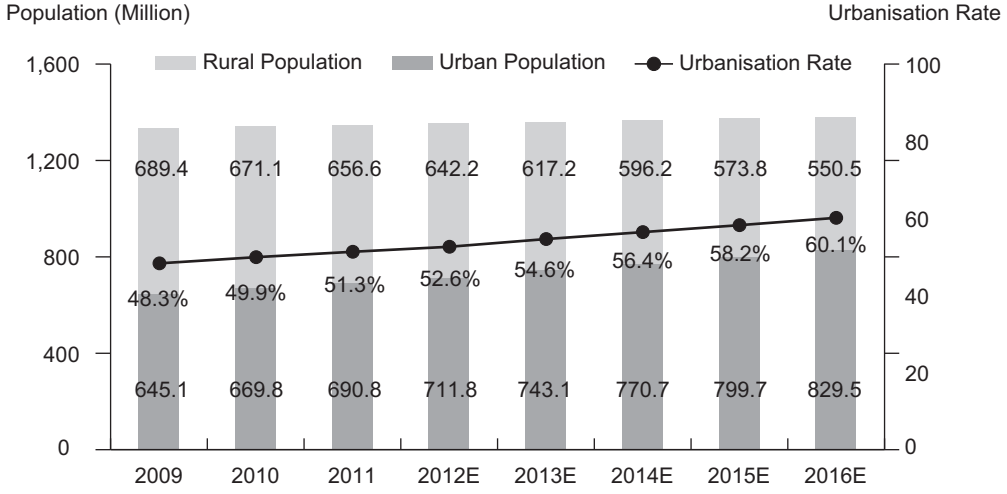
THE PRC

Macroeconomic characteristics of the economy relevant to the housewares retail chain industry

The PRC's nominal GDP steadily increased at a CAGR of 15.1% from 2009 to 2012. According to the International Monetary Fund, nominal GDP is forecasted to grow at a CAGR of 11.2%, reaching HK$97,504.6 billion in 2016, making it one of the fastest growing developing countries in the world. In line with the growing China economy, nominal GDP per capita grew from HK$31,407.2 in 2009 to HK$43,028.6 in 2011, representing a CAGR of 17.0%, and is forecasted to reach HK$70,654.7 in 2016, representing a CAGR of 10.4% from 2011.

The urban population in the PRC has increased in recent years, due to the country's economic development and the influx of migrants from rural areas to developed areas. The PRC's urban population increased by 10.3% from 645.1 million in 2009 to 711.8 million in 2012, while the urbanisation rate increased from 48.3% to 52.6% for the same period. According to the Frost & Sullivan Report, the PRC's urban population is predicted to reach 829.5 million in 2016. With the world's largest population of over 1.3 billion and its rapid urbanisation rate and economic growth, PRC is now one of the world's largest consumer markets.

Population and Urbanisation Rate (PRC), 2009–2016E

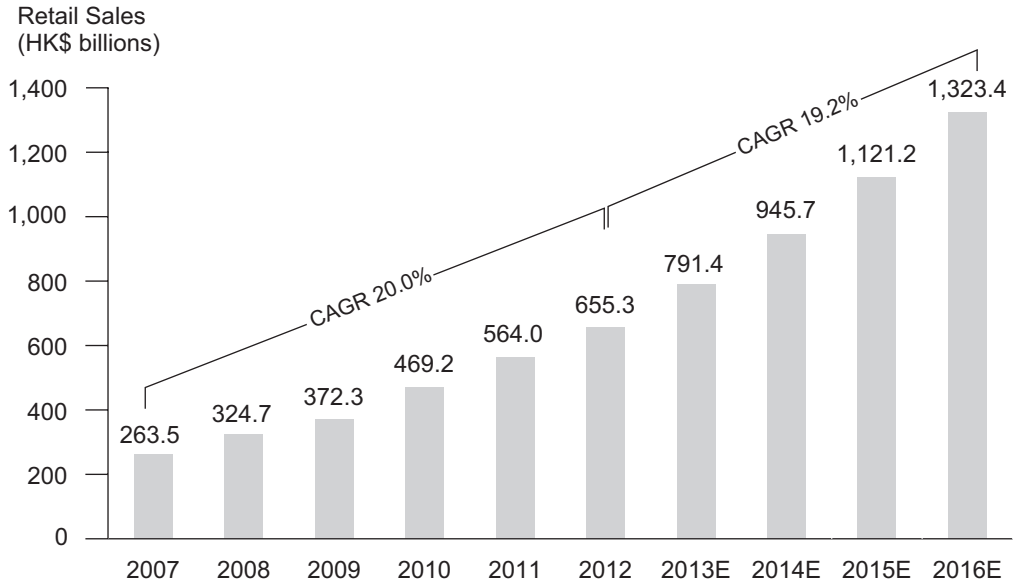


Source: 1. Historical data: National Bureau of Statistics of China
2. Forecast data: International Monetary Fund

The PRC housewares products market

Retail sales of housewares products in the PRC grew steadily at a CAGR of 20.0% from approximately HK$263.5 billion in 2007 to HK$655.3 billion in 2012. Total retail sales of housewares products are forecasted to grow at a CAGR of 19.2% from 2012 to 2016, to reach HK$1,323.4 billion in 2016, as consumers with higher incomes are more willing to pay premium prices for higher quality products. As a result of the rise in disposable income, improved living standards, increases in urban population and demand for quality products, overall spending on housewares products has increased in the PRC. The per capita annual expenditures on housewares products grew at a CAGR of 19.4% from HK$199 in 2007 to HK$484 in 2012, and is forecasted to grow to HK$959 in 2016, representing a CAGR of 18.6%.

Total Retail Sales of Housewares Products (PRC), 2007–2016E



Note: Both the historical and forecast data was converted to HK$ based on 2012 year exchange rate.
Source: Frost & Sullivan Report

The PRC housewares market

According to the Frost & Sullivan Report, housewares retail chains are at an early stage of development in the PRC. Positioned as innovative housewares stores catering to the growing younger population, their housewares products are marketed as being better designed and more creative than housewares products sold by hypermarkets and supermarkets, which cater more to the mass market. Mom-and-pop stores, which have been the dominant retail channel for housewares products in the PRC, are gradually being substituted by more modern retail channels, according to the Frost & Sullivan Report. As a developing economy, the PRC market is open to new retail channels which are able to provide the better products and better shopping environment that is typically preferred by the younger generation. Online retail stores have developed quickly in the PRC in recent years. However, due to the risks of poor or inconsistent product quality, counterfeit products and personal information privacy breaches associated with online retail sales, many consumers still prefer shopping at physical stores.

Current market drivers and trends

According to the Frost & Sullivan Report, the following are the primary market drivers and expected trends in the PRC housewares products and retail chains markets.

- Given the large, growing population, developing economy and high urbanisation rates, housewares retail chains are positioned to capitalise on the early stage growth opportunities of the housewares products market.

- Rising levels of disposable income and improving standards of living, have resulted in an emerging middle class that is increasingly focused on better quality and more stylish housewares products, which are often sold in modern retail channels such as housewares retail chains.

- The emerging younger generation in the PRC, characterised by higher income levels and a stronger tendency to consume than prior generations, have a stronger preference for modern retail channels than local retail outlets. This is expected to lead to the replacement of traditional retail channels, such as mom-and-pop housewares stores, by modern retail channels.

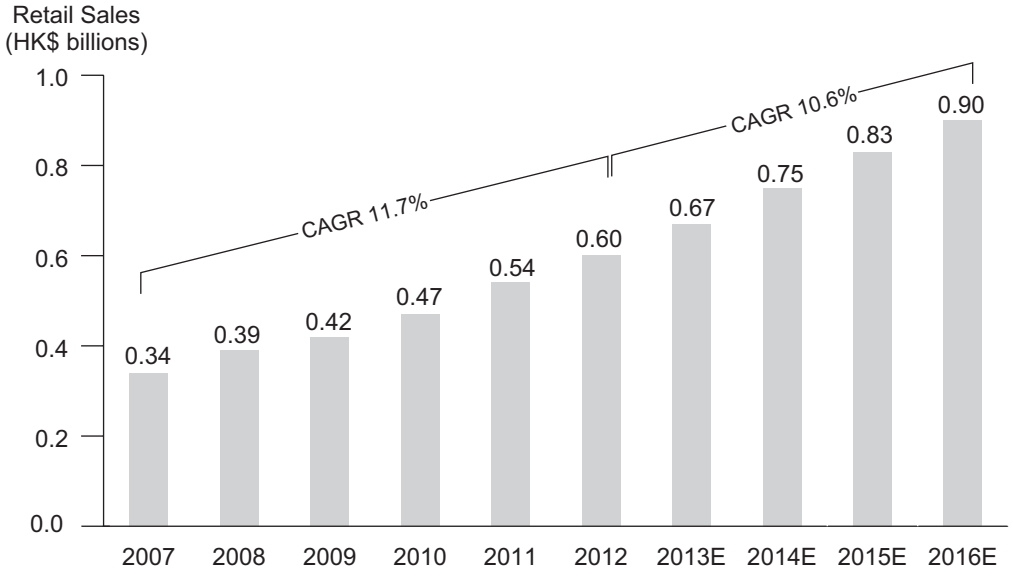
- As more consumers become accustomed to shopping at housewares retail chains, it is expected that the retail network of these housewares retail chains will expand to more cities throughout the PRC.

MACAU

The development of Macau's economy in recent years, driven by the tourism and gambling sectors, has led to an increase in consumer expenditures on housewares products. According to the Frost & Sullivan Report, per capita annual expenditures on housewares products increased from HK$649 in 2007 to HK$1,032 in 2012, at a CAGR of 9.7%, and is expected to continue growing at a CAGR of 9.3%, to reach HK$1,472 in 2016.

As per capita expenditures on housewares products increased, the housewares products market experienced a corresponding increase. The total retail sales of the housewares products market grew at a CAGR of 11.7%, from HK$0.34 billion in 2007 to HK$0.60 billion in 2012. Due to a slow down in Macau's population growth, the total retail sales of the housewares products market is estimated to grow at a CAGR of 10.6% to reach HK$0.90 billion in 2016.

Total Retail Sales of Housewares Products (Macau), 2007–2016E



Note: Both the historical and forecast data was converted to HK$ based on 2012 year exchange rate.
Source: Frost & Sullivan Report

Japan Home Centre and Daiso are the only two housewares retail chains in Macau. In 2012, Japan Home Centre had a market share of 55.4% in terms of revenue, with five stores and total retail sales of HK$25.2 million. Daiso, which had 44.6% market share, had four stores and total retail sales of HK$20.3 million.

Japan Home Centre's market share in the housewares specialised stores market in Macau was 11.5% in 2012, while mom-and-pop housewares stores represented the largest market share of 79.2%. However, given the high market fragmentation and small market share of each participant in the mom-and-pop housewares stores segment, Japan Home Centre was the leading individual retailer in the Macau housewares specialised stores market in 2012, while Daiso was the second largest participant, with a market share of 9.3%.

CONSUMER SURVEY

Frost & Sullivan conducted a consumer survey of 230 respondents relating to brand awareness and consumer preferences in Hong Kong in April 2013.

Over 99% of respondents recognised the Japan Home Centre brand.

Approximately 97% of respondents surveyed had visited Japan Home Centre in the past 12 months. Of 225 respondents, approximately 91% estimated that they visit Japan Home Centre at least once a month. On average, respondents surveyed visit Japan Home Centre approximately 32 times per year.

Japan Home Centre's housewares products ranked number one in terms of quality among Japan Home Centre, Pricerite, PARKnSHOP, Wellcome and Living Plaza by AEON. Approximately 91% of respondents rated the quality of Japan Home Centre's products as "good" or "very good."

Over 99% of respondents indicated that they purchase housewares products more frequently from physical stores instead of through online shopping.

SOURCE OF INFORMATION

In connection with the Global Offering, we have engaged Frost & Sullivan to conduct a detailed analysis and prepare an industry report of the housewares retail chains market in Hong Kong, Singapore, Malaysia, the PRC and Macau. We incurred approximately RMB964,000 in fees and expenses for the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful Listing or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the Global Offering.

Frost & Sullivan is an independent global consulting company which was founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We have included certain information from the Frost & Sullivan Report in this prospectus because we believe such information facilitates an understanding of the market in which we operate for potential investors.

Frost & Sullivan's independent research was undertaken through both primary and secondary research obtained from various sources. Primary research involved interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected total market size was obtained from historical data analysis plotted against macroeconomic data as well as specific industry drivers. Frost & Sullivan's research may be affected by the accuracy of these assumptions and the choice of these parameters.

See "Risk Factors – Risks Related to this Prospectus."

The Frost & Sullivan Report was compiled based on, among other things, the below assumptions:

- the economies of Hong Kong, Singapore, Malaysia, the PRC and Macau will maintain steady growth in the next decade;

- the social, economic and political environment in Hong Kong, Singapore, Malaysia, the PRC and Macau will remain stable in the forecasted period;

- the Hong Kong housewares retail chains market will be driven by increasing levels of disposable income, the growing population, consumers' purchase of housewares products when they move, renovate or redecorate their homes, consumers' pursuit of "value for money" products as well as the increasing number of tourists;

- the Singapore housewares retail chains market will be driven by increasing levels of disposable income, consumers' purchase of housewares products when they move, renovate or redecorate their homes, consumers' pursuit of high quality lifestyle and the replacement of mom-and-pop housewares stores by other retail channels;

- the Malaysia housewares retail chains market will be driven by increasing levels of disposable income, the development of modern retail channels and macroeconomic growth; and

- the PRC housewares retail chains market will be driven by the large population, the developing economy, accelerating urbanisation, consumption upgrade and the emerging younger generation in the PRC.

OVERVIEW

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

Since our establishment in 1991, we have built a strong brand in Hong Kong and Singapore. We operated 204, 213, 252 and 283 stores as at 30 April 2010, 2011, 2012 and 2013, respectively, in Hong Kong, Singapore, West Malaysia, the PRC and Macau. We plan to continue to expand our operations by leveraging the strength of our brand, our extensive retail network and our large global supplier network. We will also continue to introduce new products and product categories at our stores in order to capture additional market opportunities and to expand our customer base.

Housewares specialised stores, which comprise housewares retail chains and mom-and-pop housewares stores, primarily offer housewares products. Housewares retail chains, which specialise in and offer a wide range of housewares products, are a primary retail channel for housewares products. We had a market share of approximately 49.0% and 10.4% of the housewares specialised stores market in Hong Kong and Singapore, respectively, and a market share of approximately 69% and 75% of the housewares retail chains market in Hong Kong and Singapore, respectively, in the calendar year 2012, according to the Frost & Sullivan Report.

During the Track Record Period, we achieved growth in our revenue, which increased from HK$1,017.6 million to HK$1,211.2 million and further to HK$1,498.7 million for our financial years ended 30 April 2011, 2012 and 2013, respectively, representing a CAGR of 21.4%. Our profit for the year increased from HK$62.4 million to HK$86.5 million and further to HK$103.2 million for our financial years ended 30 April 2011, 2012 and 2013, respectively, representing a CAGR of 28.6%.

COMPETITIVE STRENGTHS

We believe that the following strengths distinguish us from our competitors and contribute to our ability to compete effectively:

Market leader with an iconic brand

We are the largest housewares retail chain in Hong Kong, Singapore and Macau in terms of revenue and the number of stores we operated in the calendar year 2012, according to the Frost & Sullivan Report. In the calendar year 2012, we had a market share of approximately 69% and

75% of the housewares retail chains market in Hong Kong and Singapore, respectively, according to the Frost & Sullivan Report. We had a market share of approximately 49.0% and 10.4% of the housewares specialised stores market in Hong Kong and Singapore, respectively, in the calendar year 2012, according to the Frost & Sullivan Report. As at 30 April 2013, we operated 283 stores in Hong Kong, Singapore, West Malaysia, the PRC and Macau, and had nine licenced stores in East Malaysia, Saudi Arabia, New Zealand and Indonesia.

We believe that we were one of the first to introduce the "HK$10 shop" concept to the Hong Kong housewares products market in 1993. Over our 20 years of operations as a housewares retail chain, we have built a strong brand that is trusted and recognised among the consuming public in Hong Kong. Today, through our extensive retail network across Hong Kong and other localities such as Singapore, West Malaysia and the Yangtze River Delta region in China, we offer a full range of more than 20,000 housewares products in 11 primary categories, including household electronics, housekeeping products, stationery, plasticware, kitchenware and other household products. This enables our customers to enjoy the convenience of a "one-stop" shopping experience for a wide variety of quality products at reasonable and competitive prices, which we believe are key reasons that our customers choose to shop at our stores. We believe these factors have also generated a high level of brand recognition for our Japan Home Centre stores among consumers in Hong Kong. Based on a customer survey conducted by Frost & Sullivan, over 99% of respondents are aware of our Japan Home Centre brand in Hong Kong.

In 2007, we were awarded the Hong Kong Top Service Brand Award by the Hong Kong Brand Development Council. We believe that this is a testament to our brand's iconic position and market leadership.

Our established brand and reputation and our leading market position also make us desirable business partners, and provide us with substantial bargaining power in securing and negotiating business contracts. We believe the strength of our brand will enable us to further develop and expand our business in existing markets and to penetrate into new markets.

Extensive retail network with a proven track record of stable growth

As at the Latest Practicable Date, our retail network comprised 293 stores in Hong Kong, Singapore, West Malaysia, the PRC and Macau and ten licenced stores in East Malaysia, Saudi Arabia, New Zealand, Indonesia and Cambodia. All of our stores are situated in residential areas or well-populated locations in strong or growing markets.

We leverage our retail operating experience and our in-depth understanding of local markets gathered from over 20 years of operations to select optimal store sites which balance convenience to our customers and cost efficiency to us. We keep abreast of changes in the consumer spending habits and characteristics of each area that we serve, and strategically locate our stores to best serve the daily household needs of our target consumer. Due to our strong brand and reputation in Hong Kong, we do not heavily rely on passing foot traffic, and it is therefore not necessary for us to place our stores at premium street level spaces or prime locations within shopping centres. This enhances our flexibility in choosing new store sites, and also helps stabilise our rental expenses as a percentage of our revenues despite increases in prevailing rental rates.

During the Track Record Period, we expanded our retail network considerably, increasing the number of stores we operate from 204 as at 30 April 2010 to 283 as at 30 April 2013. We began our operations in Hong Kong, and now have a business presence in ten jurisdictions. We also achieved comparable store sales growth in Hong Kong of 4.9%, 11.8% and 12.1% for our financial years ended 30 April 2011, 2012 and 2013, respectively.

Many of the products we offer are affordable household necessities for which demand does not fluctuate significantly regardless of changes in overall market conditions. We have therefore been able to achieve sustained growth in our sales, even during the global and Asian economic downturns in 2008.

Large global supplier network

We have built up a large global network of over 650 suppliers and manufacturers in 13 regions, which we believe provides us with significant competitive advantages in both product quality and pricing. The large number of international and Hong Kong suppliers with whom we have relationships facilitates our ability to procure a stable and continuous supply of a wide variety of products at competitive prices, as we are not reliant on any one supplier for any of our products. We are therefore better positioned to negotiate favourable pricing and other contract terms when evaluating and selecting a supplier. Our relationships with international suppliers allow us to primarily source our merchandise directly from the manufacturers in order to avoid pricing mark-ups often added by our Hong Kong distributors. The gross profit margin from our Hong Kong retail business for our private label products and internationally sourced products was over 50% for each of the financial years ended 30 April 2011, 2012 and 2013, compared with under 35% for our Hong Kong sourced products for the same years. In the financial years ended 30 April 2011, 2012 and 2013, the Hong Kong retail revenue contributed by our private label products and internationally sourced products increased from 45.0% to 50.7% and further to 51.3%, respectively, compared to the Hong Kong retail revenue contributed by our Hong Kong sourced products, which decreased from 53.4% to 47.7% and further to 47.2%, for those same years. We are also able to further negotiate pricing as a bulk purchaser due to our large scale of operations, thereby leveraging our economies of scale to reduce our costs and improve margins.

We believe that our global sourcing network distinguishes us from competing housewares retailers and new market entrants and provides us with competitive advantages in both product quality and pricing, as we believe that these competitors are not able to easily replicate our business model and achieve a scale of operations comparable to ours. This in turn strengthens our competitive position, demonstrates our uniqueness and enhances our bargaining power in the market.

Unique private label products with higher profit margins

We have collaborative relationships with various manufacturers for the production of our own private label products for sale exclusively in our stores. These products are custom manufactured for us in accordance with our requests and specifications, which allows us to leverage our knowledge of consumer trends to provide products that are responsive to customer preferences in the various markets in which we operate. Our private label brand offering is complementary to our international brand offering, enhancing our unique and varied product mix and enabling us to provide a wide selection of merchandise capable of catering to a broad customer base and varying household needs. Our ability to provide our private label products has been a hallmark of our business and we believe it is key to customer retention and loyalty to our brand. Currently, we have 12 key private labels, such as “Kato” for bedding and linens, “JHE” for household electronics, “Kagaku” for stationery, and “japanhome” for DIY & hardware.

Our collaborations with private label product manufacturers provides us with substantial negotiating leverage as a large scale purchaser, enabling us to purchase these products at competitive prices. In addition, because our private label products are custom manufactured for us, they are not widely available in Hong Kong and are therefore less prone to competitive pricing pressure. As a result, we have considerable flexibility in our product pricing, which in turn enables us to maintain and improve our margins while offering attractive and reasonable prices which retain customer loyalty. The gross profit margin from our Hong Kong retail business for our private label products was 54.9%, 55.4% and 55.6% for the financial years ended 30 April 2011, 2012 and 2013, respectively. Hong Kong retail revenue contributed by our private label products increased from 28.7% to 31.6% and decreased to 30.4% in the financial years ended 30 April 2011, 2012 and 2013, respectively.

Proven track record of expansion through standardised yet flexible operational model

We have developed a standardised operational model across all of our stores, characterised by uniform procedures and policies which are easy to integrate and build upon as we expand our operations. Our established operations systems and standardised procedures can be readily applied to all of our stores, and we maintain an efficient logistics and delivery system to support our retail operations. As a result, we are able to keep our initial capital expenditures relatively low when opening and running a new store, and have also achieved breakeven for 97 out of the 100 new stores we opened in Hong Kong and overseas during the Track Record Period. These stores generally achieved breakeven in less than two months. In addition, we utilise standardised store schematics, such as lighting, signage and layout, that are consistent with our overall branding strategy and can easily be adapted to various store sizes and configurations. We are also able to leverage our global sourcing network to expand our operations, as it provides a readily available supply of merchandise for all of our locations. In addition, our extensive and diverse range of merchandise allows us to be flexible with our product offering. This enables us to tailor the product mix of any given location to capitalise on that location's characteristics, such as store size and local customer demographics. These factors have significantly facilitated the expansion of our operations both in Hong Kong and abroad.

As a result, we have been successful in growing our retail network quickly, efficiently and cost effectively, and have a successful track record of integrating acquired businesses. We acquired the business of Nippon Warehouse Limited in 2000 and Quality Housewares in 2007, which operated approximately 30 and 19 stores in Hong Kong, respectively, and have since integrated these businesses into our operations. We also acquired a business which operated 17 stores in Singapore through Japan Home Retail Pte Ltd., and a business which operated five stores in the PRC. Since then, we have been operating our stores in Singapore and the PRC through our majority interest in the relevant joint ventures. In April 2013, we acquired JHC (Macau), which operated five stores in Macau. We have introduced our store concepts and operating philosophy to our overseas stores, and modify them to cater to the local needs of each market. We will continue to explore suitable acquisition opportunities globally, and with our substantial industry experience, we believe that we will be able to identify and pursue acquisitions that will be beneficial to our future development.

Dynamic, enterprising and experienced management team

We have an experienced management team led by our co-founders, Mr. Lau and Ms. Ngai, both of whom have substantial management skills, operating experience and expertise in the housewares products market. Mr. Lau has over 30 years of experience in sourcing and marketing in the housewares retail market, which is complemented by Ms. Ngai's over 20 years of experience in the leasing and operational aspects of our industry. Under their leadership, we grew from opening our first store in Hong Kong in 1991 to a leading housewares retail chain operating over 290 stores in multiple jurisdictions. The vision and entrepreneurial spirit of Mr. Lau and Ms. Ngai have played a critical role in building our brand and developing our business.

Our co-founders are supported by an experienced management team with substantial experience in the retail business in Hong Kong. We have maintained a stable and devoted senior management team, with eight senior management members, a majority of whom have worked with us for over seven years. Our strong management profile has enabled us to successfully recruit several senior management members with experience working for other major retail businesses. We believe that under our strong management, we will continue to compete successfully and grow our business profitably. Our success has also attracted international investors such as EQT Greater China II, which is part of the EQT group of private investment funds advised by EQT Partners. EQT Partners has been recognised as a leading investment adviser in the Nordic Region and in German-speaking Europe. EQT Greater China II has enhanced our corporate governance and further expansion with their knowledge and resources.

BUSINESS STRATEGIES

We plan to implement the following strategies to maintain our leading market position as a housewares retail chain, increase our market share and grow our business:

Further expand our retail network outside Hong Kong with a focus on Singapore, West Malaysia and Macau

We have successfully expanded our operations outside Hong Kong, particularly in Singapore, West Malaysia and Macau. As in Hong Kong, we strive to provide our customers in Singapore with the convenience of a "one-stop" shopping experience and a wide variety of unique, quality products at reasonable and competitive prices. We believe that we can leverage our competitive advantages as a housewares retail chain to capture market share from other retail channels, such as mom-and-pop housewares stores, in Singapore and West Malaysia. The housewares products market in Singapore is similar to the Hong Kong market in many respects, including the average consumer shopping and spending habits. As a result, we have been able to capitalise on our operational experience and industry knowledge to enter this market and quickly establish our business presence and reputation there. For the financial year ended 30 April 2013, we achieved gross profit margins of approximately 52.9% in respect of our Singapore operations. We believe we are well positioned to further expand our operations and market share in Singapore, where our capability to grow steadily is demonstrated by our successful opening of 16 stores since our entry into that market in November 2011. As at 30 April 2013, we operated 32 stores in Singapore and plan to increase our number of stores by 70 by 30 April 2016.

In West Malaysia, we also believe the size and scale of our stores and the "one-stop" shopping experience we provide set us apart from our competitors. We will continue to diversify and expand our product mix in West Malaysia in response to customer demand; in particular, we intend to offer more stylish, high value products to cater to the demographic of middle class consumers with higher spending power, and to locate our stores in shopping centres and other premier locations. Our stores in West Malaysia are typically larger than our Hong Kong stores, reflecting the characteristics of the property market in that region, which allows us to stock larger size products, as well as a larger variety of products. As at 30 April 2013, we operated nine stores in West Malaysia and plan to increase our number of stores by 50 by 30 April 2016.

We acquired five stores in Macau in April 2013. We intend to increase the variety of products offered in our Macau stores, with a particular focus on stylish, high value products to cater to customer demand. As at 30 April 2013, we operated five stores in Macau and plan to increase our number of stores in Macau by 15 by 30 April 2016 to capture additional market share.

Further expand our operations in the PRC

As at 30 April 2013, we operated seven stores in the PRC. We intend to work towards enhancing our brand and expanding our retail network in the PRC to establish our position as one of the leading housewares retail chain in our PRC target regions. We plan to increase our number of stores in the PRC by 25 by 30 April 2016.

According to the Frost & Sullivan Report, the PRC housewares retail market is primarily dominated by hypermarkets and supermarkets, which generally cater to the mass market by offering basic necessities. Due to an increase in disposable income, improving living standards, and a growing urban population, the demand for quality products has been increasing in recent years. We differentiate ourselves from domestic housewares retailers by targeting the growing middle class population, meeting the demand of this demographic by offering a range of higher quality international products at affordable prices. Our initial focus is on the Yangtze River Delta area, which is characterised by the large and growing middle class population that comprises our primary target consumer base in the PRC. As we continue to grow our PRC operations, we intend to expand to the Pearl River Delta area, which also has higher levels of disposable income.

To accommodate the preferences of our target customer groups in the PRC, our product mix includes a higher proportion of tasteful housewares merchandise or merchandise aimed at improving lifestyle by emphasising stylish designs, such as items for home decoration. The products we offer in our PRC stores typically have a higher average retail value than those offered in Hong Kong. Consequently, for the financial year ended 30 April 2013, the average spending amount per transaction in our PRC stores was higher than in Hong Kong.

Building upon the strong base of our Hong Kong operations, we have introduced a variety of quality products to the PRC consumer market and applied our standardised practices to our PRC retail operations. In managing our PRC stores, we also benefit from the local expertise of our joint venture business partner, and have designated Hong Kong management team members who work closely with them to ensure the smooth operation of our stores. As in Hong Kong, we promote our brand and reputation in the PRC by offering different product promotions, building on our customers' positive shopping experiences to increase our market penetration by word of mouth rather than traditional advertising. We will expand and manage our product portfolio in the PRC to respond to changes in the preferences of our target customer groups. To achieve this objective, we will engage new suppliers, including PRC focused suppliers which offer products specifically targeting these markets. We currently utilise a warehouse in Nanjing, and plan to establish logistics centres as we expand in the PRC and our sourcing volume increases.

Diversify our stores and customer base to maintain stable growth and profitability in Hong Kong

We are committed to enhancing our comparable store sales growth in Hong Kong as well as to opening new stores, which we believe will contribute to higher profits. For our financial years ended 30 April 2011, 2012 and 2013, the comparable store sales growth achieved by our Hong Kong stores was 4.9%, 11.8% and 12.1%, respectively. As at 30 April 2013, we operated 230 stores in Hong Kong and have planned a net increase of 40 stores by 30 April 2016. We intend to continue to steadily increase our comparable store sales by broadening our customer base through remodelling selected existing stores to improve the quality of the shopping experience and by diversifying our product offerings. We believe this will allow us to capture market share from other retail channels as the housewares products market continues to consolidate.

We regularly monitor market and sales information to keep track of the demand for and sales of different types of products sold at our stores. We classify our stores by size and customer spending power in tailoring an optimal product mix for each store. In order to reach a broader customer base, we will continue to evaluate and remodel selected stores to cater to the characteristics and specific customer needs and preferences of the surrounding areas. We proactively seek to introduce new product categories where we see the potential for customer demand and to capture additional market share. For example, we offer a wider selection of higher-end products in our larger stores in areas with higher customer spending power, and further adjust the merchandise mix after analysing the sales performance of those products. We also plan to expand our customer base by promoting our City Life stores, which offer a larger variety of higher-end housewares products. We believe that this will enable us to build our brand among higher income customers by leveraging our purchasing power and wide range of products, giving us a strategic advantage over independently operated or smaller scale competitors.

We believe that our primary customer base is middle-aged women. While we will continue providing quality products at attractive prices to retain our existing customers, we plan to diversify our customer base to male consumers and younger customers. For example, we offer men's personal and health items to attract male customers and tableware featuring animated characters for younger customers. In addition, we will promote our Epo Gifts & Stationery stores to target students and young customers.

Continue to adjust product mix to optimise profit margins

We will continue to adjust our product mix to cater to customer needs and preferences and to manage our costs and margins. As our private label products and internationally sourced products generate higher margins than our Hong Kong sourced products, we have been gradually increasing the proportion of private label products and internationally sourced products in our stores, with the long-term goal of approximately 70% of our revenue attributable to sales of (i) private label products and (ii) products shipped to our warehouses, including internationally sourced and Hong Kong sourced products. We have increased our Hong Kong retail revenue from private label products and internationally sourced products from 45.0% to 50.7% and further to 51.3% for the financial years ended 30 April 2011, 2012 and 2013, respectively. To further improve our profitability and enhance the uniqueness of our product offerings, we will continue to increase the proportion of our private label products and internationally sourced products in our total sales.

We will continue adjusting our product mix in our Singapore, West Malaysia, PRC and Macau stores according to local needs to improve our brand image and increase profits. We believe our unique mix of private label, internationally sourced and Hong Kong sourced products provides more purchasing options to customers and increases their confidence in our store brand as a unique and comprehensive housewares retailer offering quality products, thus distinguishing us from local competitors in these regions.

Improve the efficiency of our logistics

We believe that an efficient logistics and delivery system is a key factor in maintaining our competitiveness, attaining an optimal level of inventory and ensuring efficient stock replenishment at our stores and warehouses. As we expand our operations globally through opening new stores and acquiring businesses, we expect that the importance of our logistics and delivery system will increase. Accordingly, we will continue to improve our logistics and delivery system.

We currently utilise two warehouses in Hong Kong, one warehouse in Singapore, two warehouses in West Malaysia and one warehouse in Nanjing. These warehouses serve as central points of consolidation for the receipt of products purchased from our suppliers and subsequent distribution to our stores. We plan to establish logistics centres in order to consolidate products purchased from suppliers located in the PRC and other regions. We believe that establishing logistics centres in these locations will assist us in achieving greater operational efficiencies and cost savings in sourcing and logistics as we continue to expand our overseas operations.

OUR RETAIL NETWORK

Our housewares and stationery stores are operated under the brands Japan Home Centre, City Life, Epo Gifts & Stationery, Japan Home and Living Plus.

The following table sets forth the number of stores operated under our brands by region as at the dates indicated:

	As at 30 April						As at the Latest Practicable Date
	2011	Net change	2012	Net change	2013	Net change	
Our stores							
Hong Kong[1]	213	7	220	10	230	5	235
Singapore[2]	–	23	23	9	32	6	38
West Malaysia[3]	–	4	4	5	9	–	9
PRC[4]	–	5	5	2	7	(1)	6
Macau[3]	–	–	–	5	5	–	5
	213	39	252	31	283	10	293
Our licenced stores							
East Malaysia[3]	2	–	2	–	2	–	2
Saudi Arabia[5]	5	–	5	–	5	–	5
United Arab Emirates[3]	2	–	2	(2)	–	–	–
New Zealand[3]	1	–	1	–	1	–	1
Indonesia[3]	–	–	–	1	1	–	1
Cambodia[3]	–	–	–	–	–	1	1
Total	223	39	262	30	292	11	303

(1) These stores include Japan Home Centre, City Life and Epo Gifts & Stationery stores.

(2) These stores include Japan Home stores.

(3) These stores include Japan Home Centre stores.

(4) These stores include Living Plus stores.

(5) These stores include Japan Home Centre and Epo Gifts & Stationery stores.

Hong Kong is our primary market. The table below sets forth our revenue from our Hong Kong and non-Hong Kong operations and as a percentage of total revenue for the years indicated:

	Financial year ended 30 April					
	2011		2012		2013	
	(HK$ thousands, except for percentages)					
Revenue from Hong Kong operations	1,017,566	100.0%	1,154,175	95.3%	1,334,098	89.0%
Revenue from non-Hong Kong operations	–	–	57,047	4.7%	164,575	11.0%
Total revenue	1,017,566	100.0%	1,211,222	100.0%	1,498,673	100.0%

OUR HONG KONG OPERATIONS

Our stores in Hong Kong are located throughout Hong Kong Island, Kowloon and the New Territories and are conveniently accessible to customers throughout Hong Kong. All of the retail spaces for our stores in Hong Kong are rented. The table below sets forth the number of stores in Hong Kong by district as at the dates indicated:

	As at 30 April				
District	**2011**	**Net change**	**2012**	**Net change**	**2013**
Hong Kong Island	42	–	42	2	44
Kowloon	69	2	71	1	72
New Territories.....	102	5	107	7	114

We operate these stores under our Japan Home Centre, City Life and Epo Gifts & Stationery brands. Our stores are located in street level retail spaces, shopping centres and residential complexes. For our internal management purposes, we have 14 district managers, each of whom are responsible for overseeing up to 30 stores. We select our store locations based on availability and rental costs, evaluating the available retail spaces in terms of population density in the area and proximity to our stores or other stores that offer housewares products. See "– Our Operations – Leasing and New Store Selection." We implement standardised store layouts that allow ample shelf space and attractive displays for our products, with simple interior designs. We aim to provide our customers with an enjoyable and comfortable retail experience and train our employees to provide quality customer service.

Our success in Hong Kong is demonstrated not only by our strong comparable store sales growth over the Track Record Period of 4.9%, 11.8% and 12.1% for the financial years ended 30 April 2011, 2012 and 2013, respectively but also by the increase in average spending per transaction in those same years from HK$44.5 to HK$49.1 and further to HK$53.4 per transaction.

Japan Home Centre

Our Japan Home Centre stores offer a wide range of products, which include kitchenware, plasticware, household electronics and other household items for daily use. We expand our product range and adjust our product mix to cater to customer needs and preferences from time to time. As at 30 April 2013, we operated 216 Japan Home Centre stores in Hong Kong.

City Life

Our City Life stores provide a higher-end alternative for higher income households looking for the same convenient shopping experience as in our Japan Home Centre stores. These stores were previously named City Lifestyle, and we are in the process of renaming these stores as "City Life". As at 30 April 2013, we operated nine City Life stores, which are located in shopping centres and residential areas with large housing complexes, including Royal Ascot in Shatin, Kornhill in Quarry Bay and Stanley Plaza in Stanley, giving us access to a larger customer base. These stores offer the full spectrum of housewares categories offered in our Japan Home Centre stores, in addition to certain higher-end housewares products.

Epo Gifts & Stationery

Our Epo Gifts & Stationery stores cater to students and other younger customers and carry a wide variety of stationery items, small toys and accessories as well as travel accessories, books and household items. Certain of these stores also provide photocopying services. Due to their specialised nature, these stores are generally smaller in size than our Japan Home Centre and City Life stores. We believe that our purchasing power serves as a competitive advantage over independently operated or smaller scale competitors. As at 30 April 2013, we operated five Epo Gifts & Stationery stores in Kowloon and the New Territories. Our Epo Gifts & Stationery stores in Yau Tong, Shek Lei and Choi Wan are either located near schools or residential complexes in order to serve the surrounding student population.

For more information on the merchandise we offer in our stores, see "– Our Merchandise."

OUR NON-HONG KONG OPERATIONS

Our Stores in Macau

In April 2013, we acquired JHC (Macau), which operated five stores in Macau. These stores are operated under our Japan Home Centre brand, and prior to the acquisition, were operated under our management and sourced the majority of the merchandise from us. Since its incorporation in 1996, our co-founders together held 40% of JHC (Macau), representing the largest interest, and just prior to the acquisition, held 100%. Similar to our Japan Home Centre stores in Hong Kong, we offer a wide range of products, which include kitchenware, plasticware, household electronics and other household items for daily use in our Macau stores.

Our Joint Ventures

We began our overseas store operations in November 2011. We operate our stores in Singapore, West Malaysia and the PRC through our majority interests in our non-wholly-owned subsidiaries in those jurisdictions. We benefit from the business networks and local knowledge of our minority shareholder business partners in these regions in the daily operations of our stores. Our business partners also provide us with helpful information and recommendations for developing our expansion strategies in these regions, including insight into potential new store locations. Under these arrangements, we generally provide:

- a supply of merchandise, including internationally sourced products and Hong Kong sourced products;
- the use of our brand name and logo;
- guidance and instruction regarding daily store operations;
- our sales and marketing materials; and
- our expertise regarding the housewares retail market and store operations.

Under the terms of our joint venture agreements, our joint venture partners are generally responsible for:

- the renting of retail spaces;

- daily store operations in accordance with our guidelines and consistent with our brand image; and

- providing their local expertise regarding the market and customer demand.

For more information on the principal terms of the joint venture arrangements, see "History and Development, Reorganisation and Group Structure – Business Development" and "History and Development, Reorganisation and Group Structure – Corporate Development."

For the financial years ended 30 April 2012 and 2013, our revenue from our operations in Singapore, West Malaysia, the PRC and Macau was approximately HK$57.0 million and HK$164.6 million, respectively, representing 4.7% and 11.0%, respectively, of our total revenue. During the Track Record Period, there were no material disputes with, or alleged breaches of contract by, our joint venture partners.

Our Stores in Singapore

As at 30 April 2013, we operated 32 stores in Singapore through our 60% interest in a joint venture arrangement with our local partner. These stores are located in shopping centres, residential complexes and in street level retail spaces throughout Singapore. Our stores in Singapore are modelled after our Japan Home Centre stores in Hong Kong. The merchandise offerings, layout and appearance also generally follow that of our Hong Kong stores, taking into account local preferences and demand. Our successful expansion in Singapore is demonstrated by our net profit of HK$2.2 million for the six months of operation in the financial year ended 30 April 2012 and HK$5.5 million in the financial year ended 30 April 2013.

Our Stores in West Malaysia

As at 30 April 2013, we operated nine stores in West Malaysia through our 97.5% interest in a joint venture arrangement with our joint venture partners. These stores are located primarily in Klang Valley, Putrajaya and Penang in shopping centres with high levels of foot traffic. The average spending per transaction in our West Malaysia stores was approximately HK$60.2 and HK$59.8 in the financial years ended 30 April 2012 and 2013, respectively, which was higher than the spending per transaction in Hong Kong in the same years, which was HK$49.1 and HK$53.4, respectively.

Our Stores in the PRC

As at 30 April 2013, we operated seven stores in the PRC through our 85.6% interest in a joint venture arrangement with our local partner. Five of these stores, which we acquired in 2012, were operated under a third party's brand. We have not obtained consent from the brand owners for the use of this brand for two of our PRC stores. The previous store owners have issued a letter of undertaking to us, pursuant to which they have undertaken to indemnify us against any losses or liabilities arising from any disputes, claims or legal proceedings caused by the Group's continued use of this brand. These two stores will be closed in October 2013 upon expiry of their tenancy agreements. See "Risk Factors – Risks Related to Our Business – The loss or infringement of our intellectual property rights, or allegations that we have infringed third parties' intellectual property rights, could have an adverse effect on our business, financial condition and results of operations." Our PRC stores are primarily located in shopping centres in Nanjing, Suzhou and Shanghai in the Yangtze River Delta region. We believe that this region of the PRC presents us with better growth opportunities due to higher customer spending power,

which in turn drives the demand for tasteful, higher quality housewares products to support higher standards of living. We also believe that our product offerings, which are focused on higher-end housewares products comprising international products and our private label products, will cater to these growing upper-middle and middle class populations and will distinguish us from local stores that offer lower quality, locally sourced merchandise.

Licenced Stores

As at 30 April 2013, we had operating arrangements with a local entity in each of East Malaysia, Saudi Arabia, New Zealand and Indonesia with respect to a total of nine licenced stores in those regions. These arrangements provide an additional source of revenue for us in markets where, for strategic reasons, we do not operate our own stores. While we remain open to additional opportunities to open licenced stores, we are not currently actively seeking to increase our number of licenced stores in these or other regions.

Our business partners under these arrangements are independent third parties with retail operations that sell housewares products, who learn of our operations and wide selection of products through trade fairs and our international business networks. Prior to entering into agreements with business partners for licenced stores, our overseas business development division interviews the potential business partner regarding its business and financial status, and evaluates the business proposal prepared by the potential business partner, as well as its prior retail experience. We currently have operating arrangements with four such business partners. During the Track Record Period, our previous arrangement with our business partner in the United Arab Emirates was terminated when our business partner decided to cease operations, and we began an arrangement with one additional business partner in Indonesia.

Our agreements with our licenced store business partners are typically for an initial term of five years. The terms of these agreements may require our business partner to provide us with documentary evidence of the ownership or lease of the property for the licenced store, obtain all approvals, permits, licenses or authorizations required by law or contract, indemnify us against liabilities arising from non-compliance with these requirements, and comply with any relevant training requirements we may impose, prior to the commencement of the licenced store operations. Other than complying with the terms of the agreement, we do not require our business partners to obtain additional consent from us prior to opening a new licenced store and we do not specify a maximum number of stores that may be opened in a region. Although the agreements generally do not specify renewal provisions, we have historically renewed these agreements upon expiration by agreement between the parties. Under our arrangements with these business partners, we generally provide them with:

- guidance regarding the set-up and operation of stores;
- merchandise that we procure from our wide network of suppliers;
- the use of our brand name and logo;
- our guidelines on store layout and product displays; and
- our seasonal sales and marketing programme materials.

Under the agreements governing these operating arrangements, our business partners are responsible for:

- operating retail stores in accordance with our guidelines, including pricing guidelines for our products sold in these stores, and consistent with our brand image;
- overseeing daily store operations, including set-up and ongoing operation costs;
- maintaining a merchandise mix of at least 80% to 100% of products purchased from us; and
- maintaining compliance with local laws and regulations.

Our agreements require our business partners to ensure that a minimum proportion of 80% to 100%, depending on the specific agreement, of the products offered in our licenced stores are purchased from us. Our business partners purchase their inventory from us by letters of credit or telegraphic transfer. Under the letters of credit, we receive payment from our business partners upon their confirmation of receipt of the products purchased. After purchase of the products from us, our business partners assume all claims, debts and liabilities arising out of product liability, breach of warranty and other claims relating to the products after sale to their customers. Our arrangements with these business partners do not provide for obsolete or unsold stock arrangements. We allow our business partners to return or exchange items that are defective or damaged, upon notification to us within seven days after receipt of the shipment; the business partner is responsible for all expenses incurred in connection with returning the products (including shipping and other transportation costs and import taxes). None of our licenced store business partners returned any products during the Track Record Period.

Our licenced store agreements do not require a minimum purchase amount or sales targets for our business partners or any minimum investment amount for us. However, the agreements may specify reductions in the licencing fee payable to us for the use of our brand and trademark(s) if our business partners purchase a specified amount of products from us. We generally receive a licencing fee of USD10,000 per store for the initial five-year term, which may be negotiated with our business partner depending upon the number of stores and the quantity of purchases that are projected to be made by the business partner. Our licences granted under these arrangements are generally non-exclusive; however, some of our agreements provide our business partners with exclusivity within a geographical area and/or for a period of time.

Our business partners report annually to our overseas business development division and provide certain operational information with respect to the relevant licensed stores, including the number of stores in operation by that business partner and the brand under which the stores are operated. We may terminate the licenced store arrangements if, among other things, our business partners fail to comply with the terms of the agreement, if the licenced store's tenancy agreement is terminated other than as agreed for relocation reasons, or our business partners become insolvent. Our business partners may terminate these agreements with six months' advance notice to us. We are not liable for any non-compliance with laws or regulations by our business partners.

For the financial years ended 30 April 2011, 2012 and 2013, our revenue from these stores was approximately HK$3.4 million, HK$2.4 million and HK$2.4 million, respectively, representing 0.3%, 0.2% and 0.2%, respectively, of our total revenue. During the Track Record Period, there were no material disputes with, or alleged breaches of contract by, our business partners regarding our licenced stores.

Export Sales

On occasion, we sell merchandise to export customers who are located in regions where we do not operate any stores or licenced stores. Potential purchasers typically approach us at trade fairs and exhibitions with requests to purchase products for resale in their own retail outlets. These export customers place purchase orders with us, which are generally negotiated on a case-by-case basis. Our export customers typically purchase a wide variety of products in smaller quantities rather than in bulk. We are able to provide them with this option due to the scale of our operations and the large quantities and wide variety of merchandise that we source from our suppliers. Because we maintain an inventory of a full range of housewares products, we are able to efficiently assemble a shipment of products for our export customers as and when they place their orders with us. For the financial years ended 30 April 2011, 2012 and 2013, our revenue for our export business was approximately HK$25.3 million, HK$29.7 million and HK$29.0 million, respectively, representing 2.5%, 2.5% and 2.0%, respectively, of our total revenue.

PLANNED EXPANSION

New Store Openings

As we continue to expand our operations in Hong Kong and overseas, we plan on opening stores in Hong Kong, Singapore, West Malaysia, the PRC and Macau as set forth in the table below.

	During the year ending 30 April		
	2014[2]	2015	2016
Hong Kong[1]	10	15	15
Singapore	18	20	32
West Malaysia	10	20	20
PRC	5	10	10
Macau	5	5	5
Total	48	70	82

(1) We plan to open new stores in Hong Kong under each of our brands in each year as follows:

	During the year ending 30 April		
	2014	2015	2016
Japan Home Centre	7	5	5
City Life	2	5	5
Epo Gifts & Stationery	1	5	5

(2) From 1 May 2013 to the Latest Practicable Date, we opened 13 new stores and closed three stores.

The opening of new stores in Hong Kong and Singapore is not subject to any regulatory approval. In West Malaysia, we are required to obtain approval for foreign involvement in distributive trade, including retail sales of housewares products. See "Regulations – West Malaysia." In the PRC, we are required to apply to provincial commerce authorities prior to opening new stores as a foreign-invested commercial enterprise, and must register with the local administration for industry and commerce, and obtain a business license for each new store.

See "Regulations – PRC." In Macau, we are required to apply for registration with, and obtain a business license from, the Macau Finance Bureau prior to opening a store. See "Regulations – Macau."

For more information on our overseas expansion strategy, see "– Business Strategies – Further expand our retail network outside Hong Kong with a focus on Singapore, West Malaysia and Macau" and "– Business Strategies – Further expand our operations in the PRC." We are not currently actively seeking to increase our number of licenced stores.

Regions of Expansion

We believe that the increasing GDP and rising levels of disposable income in Hong Kong, Singapore, West Malaysia, the PRC and Macau will lead to an increased demand for housewares products in those regions. According to Frost & Sullivan, the increased popularity of branded housewares retail chains will allow us to capture additional market share in the housewares products market, in particular in Hong Kong, Singapore and West Malaysia. Because the housewares market in Singapore and Macau are very similar to the market in Hong Kong, and our operations in Hong Kong, Singapore and Macau were profitable during the Track Record Period, we believe that, other than as described in "Risk Factors – Risks Related to Our Business – If we cannot successfully implement our expansion plans, or if we fail to obtain sufficient funding for our expansion plans, our business and growth prospects may be adversely affected," there is little operational and financial risk in expanding our operations in Hong Kong, Singapore and Macau.

As we further expand into Singapore, West Malaysia, the PRC and Macau, we will adjust various aspects of our store operations in each of these regions while remaining committed to our group-wide goal of providing customers with a one-stop shopping experience for a wide variety of quality products at reasonable and competitive prices. Our stores in Singapore will continue to closely resemble our stores in Hong Kong in terms of product mix and store size due to the similarities in the consumer shopping and spending habits in those two regions. Our store operations in Macau also closely resemble our Hong Kong operations due to the similarity of the housewares products market in these two regions. Our stores in West Malaysia are typically larger and located in shopping centres, which we believe provides us with greater visibility to consumers and the ability to stock both a wider variety and larger number of products. Our stores in the PRC primarily target the growing middle class and their demand for higher end housewares products. Therefore, the product mix in these stores tends to have a higher proportion of higher-end housewares products.

Expansion into West Malaysia and the PRC

We opened our first retail store in West Malaysia in October 2011 and acquired our operations in the PRC in March 2012 in order to strategically position ourselves in these growing markets. Our Directors believe that these markets, in particular the PRC, have strong growth potential for housewares retail chains such as ours due to the rising demand for housewares products along with increase in disposable income and the lack of a single, dominant housewares retail chain competitor in either of those regions. Our operations in West Malaysia and the PRC are still at a relatively small scale and as at 30 April 2013, we only operated nine stores and seven stores, respectively in these regions. We believe our operations in West Malaysia can leverage our existing, stable operations in Singapore due to their geographical proximity. Similarly, we believe our operations in the PRC can leverage our existing, stable operations in Hong Kong due to their geographical proximity. We also intend to leverage our

experience from our Hong Kong and Singapore operations to expand and improve upon our West Malaysia and PRC operations. See "Risk Factors – Risks Related to our Business – Our operations in the PRC and West Malaysia are still at relatively early stages of development and may not achieve our desired results" for information on risks associated with our operations in these regions.

Historical and Estimated Financial Performance

We are relatively new to the West Malaysia and the PRC markets, and our expansion in those regions is therefore subject to various operational and financial risks. See "Risk Factors – Risks Related to Our Business – Our operations in the PRC and West Malaysia are still at relatively early stages of development and may not achieve our desired results." Our operations in West Malaysia and the PRC are still at a relatively small scale and as at 30 April 2013, we only operated nine stores and seven stores, respectively, in these regions. Therefore, these operations have not yet begun to contribute significantly to our Group's revenue and profit. We expect that we will be able to leverage our experience from our Hong Kong operations to expand and improve upon our West Malaysia and PRC operations. We believe that our entry into these markets provides a platform for us to position ourselves in the housewares retail chain industry in these regions as demand for housewares products increases with rising levels of disposable income.

Because our store operations in West Malaysia and the PRC are at early stages of development, consumers may not yet be familiar with our brands in these regions. However, our Directors believe that the greater economies of scale resulting from our planned increase in number of stores in these regions will contribute to an increase in our revenue, and accordingly our profit, from these regions. For more information on our profit and margins by region, see "Financial Information – Description of Selected Components of Our Statements of Comprehensive Income – Gross Profit, Gross Profit Margin, Net Profit and Net Profit Margin."

Breakeven and Payback

We expect that our average time for new stores to achieve breakeven and reach payback point to be similar to our historical breakeven and payback in the short term. The table below sets forth the estimated average time for our new stores to breakeven and payback period by region, based on our historical results of operations and experience.

	Average time to breakeven	Average payback period
	(months)	
Hong Kong	1.7	9.9
Singapore	1.2	6.1
West Malaysia[(1)]	1.6	–
PRC[(2)]	–	–
Macau[(3)]	–	–

(1) As our stores in West Malaysia have not reached payback yet, our Directors believe that the limited historical information available does not provide a basis for estimating payback period information for our planned store openings in West Malaysia.

(2) As our stores in the PRC have not achieved breakeven or reached payback yet, our Directors believe that the limited historical information available does not provide a basis for estimating breakeven and payback period information for our planned store openings in the PRC.

(3) As we did not open any new stores in Macau after we acquired the operations there on 15 April 2013, our Directors believe that the limited historical information available does not provide a basis for estimating breakeven and payback period information for our planned store openings in Macau.

Our breakeven and payback estimates are based on our historical results of operations and various assumptions and estimates, and are not indicative of the future financial performance of our Company or our Group. See "Financial Information – Factors Affecting Our Results of Operations – Number of Stores in Operation" for more information on the calculation of our breakeven and payback.

Revenue Contribution by Region

We may face challenges when we expand our operations in overseas markets, which may lead to fluctuations in our results, including our profit margins, with respect to our operations in those markets. With respect to our non-Hong Kong operations, and in particular in West Malaysia and the PRC which are still in their investment phases and not yet profitable, our Directors expect that our revenue contributed by these regions will cover our initial capital expenditures once our operations reach certain economies of scale. Furthermore, because we acquired our PRC operations while they were operating at a loss, we are making significant adjustments to those operations. However, historically, our Hong Kong operations have enjoyed a stable financial performance and contributed predominantly to our overall revenue and profit. In addition to our expansion outside of Hong Kong, we will continue to expand our operations in Hong Kong. As at 30 April 2013, we operated 230 stores in Hong Kong, with a net profit margin of 7.9%, out of a total of 283 stores, and according to our expansion plans, as at 30 April 2016, we will operate 270 stores in Hong Kong out of a total of 483 stores. Therefore, we expect that our operations in Hong Kong will continue to contribute a significant majority of our Group's revenue and profit in the three years ending 30 April 2016. During the Track Record Period, our operations in Singapore and Macau also recorded net profit, and according to our expansion plans, as at 30 April 2016, we will operate 122 stores in Singapore and Macau out of a total of 483 stores. Accordingly, we expect that our operations in Hong Kong, Singapore and Macau will contribute a significant majority of our Group's revenue and profit, as well as offset the net losses of our operations in the PRC and West Malaysia, through the three years ending 30 April 2016. For more information on our profit and margins by region, see "Financial Information – Description of Selected Components of Our Statements of Comprehensive Income – Gross Profit, Gross Profit Margin, Net Profit and Net Profit Margin." Therefore, despite the challenges and uncertainties we may face in our planned expansion in overseas markets, our Directors believe that in the foreseeable future and on a consolidated basis, we are able to offset any fluctuations in our results or profit margins that may arise from such expansion by the anticipated continued improvement that we may achieve in our performance and profit margins for our Hong Kong operations. This assumes that the general economic environments and operating conditions remain stable in the markets in which we operate. On the basis of the above, our Directors believe that as compared to our historical results, uncertainties relating to our expansion of operations outside of Hong Kong will not have any material adverse impact on our Group's overall performance and profit margins.

Increased Supply of Products

We expect to increase our inventory levels to ensure a sufficient stock of products to support our new stores. Our planned additional warehouses in Hong Kong and Guangzhou will allow us to stock additional inventory for our stores. In connection with our increased inventory purchases, we will continue to maintain our large global supplier network, and may seek additional suppliers as and when necessary. Consistent with our current practice, we intend to maintain a large number of suppliers so that we will not be dependent on any key supplier for our products. In addition, we expect the planned improvements to our information technology systems to increase the efficiency of our purchasing department, our logistics systems and our retail stores as well as the supply and replenishment of the products sold in our stores.

Improved Warehouse and Logistics

We plan to rent an additional warehouse in Hong Kong in the financial year ending 30 April 2015 to support our planned increase in number of stores. We also plan to rent property for, and to construct, a warehouse facility in Guangzhou in the financial year ending 30 April 2015 where we will be able to consolidate merchandise sourced from suppliers in the PRC for further shipment to our stores in Hong Kong and overseas.

Our plans for expansion are based on various assumptions and uncertainties, including the following:

- industry trends continuing to develop as we anticipate;
- our ability to respond to changes in the competitive landscape;
- our ability to maintain our global supplier network;
- favourable economic, political and other conditions in the regions where we operate; and
- our future financial condition, results of operations and cash flows.

Funding

Our average capital expenditure for each new store opening during the Track Record Period in Hong Kong, Singapore, West Malaysia and the PRC was approximately HK$400,000, HK$274,000, HK$714,000 and HK$311,000, respectively. Based on the capital expenditure for opening a new store in Hong Kong and the cost of relocating a new store in Macau, our Directors estimate that the capital expenditure for opening a new store in Macau is approximately HK$400,000. We intend to fund our new store openings and logistics and warehouse expansion in part with the net proceeds of the Global Offering and in part with our cash generated from our operations. See "Future Plans and Use of Proceeds" for more information. For a breakdown of the capital expenditures for our planned expansion, see "Financial Information – Capital Expenditures."

We believe that our current cash (including cash equivalents), anticipated cash flow from operations, available banking facilities and the net proceeds from this Global Offering will be sufficient to satisfy our anticipated cash requirements for at least the 12 months following the date of this prospectus.

OUR MERCHANDISE

Through our retail network, we offer a full range of quality housewares products to our customers. Our store merchandise can be broadly divided into the following categories:

- *Household electronics* – alarm clocks, rice cookers, portable stoves, fans, space heaters, power cords, electrical converters and other small appliances and accessories.
- *Housekeeping* – cleaning products, household tools, trash cans, brooms, dustpans.
- *Plasticware* – plastic containers of all sizes, shapes and uses.
- *Kitchenware* – cooking utensils, kitchen tools, pots and pans.
- *Stationery* – paper, writing instruments, scissors, erasers, notebooks.
- *DIY & hardware* – small tools, hooks, locks, home safety items.
- *Interior and textiles* – table mats, table linens, bedding, pillows, cushions, floormats, rugs.
- *Personal & health* – toiletries, towels and small hardware items for the bathroom.
- *Tableware* – plates, cups, flatware and other utensils, condiment containers, placemats, coasters.
- *Interior and small furniture* – desks, shelves, chairs, cabinets, mattresses.
- *Others* – gardening items, potted plants, toys, gifts and accessories.

The following table sets forth our retail revenue attributable to each of our merchandise categories during the Track Record Period:

	Financial year ended 30 April					
Merchandise	**2011**		**2012**		**2013**	
	(HK$ thousands, except for percentages)					
Household electronics	199,298	20.3%	247,511	21.1%	301,591	20.7%
Housekeeping	188,143	19.2%	234,785	20.1%	284,453	19.5%
Plasticware	116,092	11.8%	131,791	11.3%	162,206	11.1%
Kitchenware	91,564	9.3%	109,052	9.3%	129,704	8.9%
Stationery	88,057	9.0%	101,955	8.7%	122,713	8.4%
DIY & hardware	58,388	6.0%	74,877	6.4%	104,174	7.2%
Interior and textile	72,400	7.4%	72,807	6.2%	88,987	6.1%
Personal & health	50,286	5.1%	70,954	6.1%	86,720	6.0%
Tableware	43,852	4.5%	53,167	4.5%	66,594	4.6%
Interior and small furniture	41,522	4.2%	38,909	3.3%	58,545	4.0%
Others	31,108	3.2%	34,841	3.0%	51,011	3.5%
Total	980,710	100.0%	1,170,649	100.0%	1,456,698	100.0%

Our merchandise comprises private label products, internationally sourced products, in-house manufactured products and Hong Kong sourced products, as further described below. The following table sets forth our retail revenue breakdown in Hong Kong by source:

	Financial year ended 30 April					
	2011		2012		2013	
	(HK$ thousands, except for percentages)					
Private label	281,680	28.7%	351,668	31.6%	392,405	30.4%
Internationally sourced	159,479	16.3%	212,402	19.1%	269,887	20.9%
In-house manufactured	15,680	1.6%	18,394	1.6%	19,979	1.5%
Hong Kong sourced	523,871	53.4%	531,138	47.7%	609,977	47.2%
Total	980,710	100.0%	1,113,602	100.0%	1,292,248	100.0%

The following table sets forth the gross profit margins from our Hong Kong retail business by source:

	Financial year ended 30 April		
	2011	2012	2013
Private label	54.9%	55.4%	55.6%
Internationally sourced	53.6%	53.4%	54.7%
In-house manufactured	69.2%	65.3%	67.1%
Hong Kong sourced	31.7%	32.9%	34.1%

Private Label Products

"Private label products" refers to products custom manufactured for us on either an OEM or ODM basis, by various manufacturers in accordance with our requests and specifications and for sale exclusively in our stores. This allows us to leverage our knowledge of consumer trends to provide products that are responsive to customer preferences in the various markets in which we operate. We have arrangements with over 250 private label manufacturers, which are primarily located in the PRC, Hong Kong and Taiwan. These manufacturers generally specialise in certain product categories and may also manufacture products under their own or third party brands. We have varying degrees of involvement in determining the specifications of our private label products, such as colours, patterns or packaging. We have final approval over the finished product. For certain of our private label products, we enter into agreements with our private label manufacturers for the manufacture of a specified number of one or more product types. We generally settle these purchases by letters of credit at sight. These agreements specify the design and quantity of the relevant products, as well as terms relating to pricing, delivery, payment, product quality and product liability. These agreements generally do not specify a termination date, as they are not on-going agreements and therefore terminate upon completion of the order.

For other private label products, we authorize the manufacturer to use our private label branding on specific products, and place purchase orders with the manufacturer on an individual and as-needed basis which specify pricing, delivery and payment.

Our agreements with our private label manufacturers do not provide for product returns; however, the manufacturer typically indemnifies us against losses incurred as a result of product liability or intellectual property infringement (except with respect to specifications provided by us) claims. In the event that the products purchased are defective, we negotiate with the manufacturer on a case-by-case basis for the replacement of the defective products or a refund. We are generally not subject to any minimum purchase requirements under our private label arrangements; however, if a mold or other cast is required in order to manufacture the item according to our specifications, we are generally required to purchase a minimum quantity of the relevant product, on an annual basis, until the aggregate purchase amount equals the cost of the mold or cast. If we anticipate that we will not purchase this minimum quantity, we typically allow the relevant manufacturer to use the mold or cast to manufacture products for its other customers. These arrangements do not provide us with any rebates.

We currently have over 1,000 private label products. The table below sets forth our key private label brands and corresponding product categories:

Private label brand	Logo	Product category
Colo	Colo®	Umbrellas
ECOPAL	ECOPAL	Stationery
Epo	A Epo 文具世代 GIFTS & STATIONERY; C Epo 文具世代 GIFTS & STATIONERY; B Epo 文具世代; D Epo 文具世代	Stationery
EZ KEEP	EZ KEEP	Storage containers
japanhome	japanhome	DIY & hardware
JHE	J·H·E; J·H·E	Household electronics
Kagaku	Kagaku	Stationery
KATO	加藤 KATO; KATO®	Bedding and linens
MATSUSHO	MATSUSHO	Electrical appliances
Naxos	NaxoS	Personal & health items
peter bear	peter bear ピーターベア	Personal care items

Private label brand	Logo	Product category
本瓷		Porcelain kitchenware

For the financial years ended 30 April 2011, 2012 and 2013, our private label products accounted for 28.7%, 31.6% and 30.4%, respectively, of our retail revenue in Hong Kong.

Internationally Sourced Products

"Internationally sourced products" refers to products that we purchase from our global suppliers, in jurisdictions such as Japan, Korea, Thailand, Taiwan, Malaysia, the PRC, Europe and the Americas. We select our suppliers after carefully considering their product quality, price, reliability and our past experiences in conducting business with them. We generally source our merchandise directly from the manufacturer or brand owner in order to avoid pricing mark-ups added by distributors. Furthermore, internationally sourced products are not subject to additional mark-ups added by Hong Kong distributors. We do not enter into standard agreements with these suppliers, in order to maintain our flexibility in purchasing from different suppliers, adjusting our product mix and introducing new products. We place purchase orders for these products on an individual and as-needed basis, which specify pricing, delivery and payment. Our purchasing arrangements for these products do not provide for product returns, minimum purchase amounts or rebates. We settle these purchases mainly by letters of credit at sight. We have developed stable relationships with international brand owners by acting as their official, and in some cases, exclusive, agent in certain regions in which we conduct operations. Some of these brand owners tailor certain of their branded products to our colour and packaging specifications.

In the financial years ended 30 April 2011, 2012 and 2013, these internationally sourced products accounted for 16.3%, 19.1% and 20.9%, respectively, of our retail revenue in Hong Kong.

In-house Manufactured Products

"In-house manufactured products" refers to our products that we design and manufacture in-house at our manufacturing facilities in Hong Kong. The majority of our in-house manufactured products are sold under our private label brands; the remainder are unbranded. We are the majority owner of two manufacturing facilities in Hong Kong where we manufacture a variety of plastic containers, small hand-held and household mirrors and mirror frames exclusively for sale at our stores and licenced stores. We handle all aspects of production, from design, manufacture and quality control to logistics and delivery to our stores and warehouses. We inspect and perform quality tests on random selections of these products to ensure they are fully functional.

The types of products that we manufacture in-house may also be available for purchase from our third party private label manufacturers, and because the focus of our operations is on retail sales and not manufacturing, we generally prefer to purchase the majority of our products from third party manufacturers. However, in-house manufacturing has the advantages of

allowing us to better control our margins and to design unique products with specifications that we believe are best suited to our customers' preferences, with the flexibility of producing them in the quantities we require. Therefore, while we generally engage our private label manufacturers to produce these products, we utilise our in-house manufacturing capabilities in order to fill our requirements under circumstances in which it would be more cost effective, faster or efficient to do so. For example, we compare the cost of purchasing a private label product from a third party manufacturer and the cost of manufacturing the product at our in-house facilities. If the cost is significantly higher to purchase the product from a private label manufacturer and our manufacturing facilities have sufficient capacity, we consider manufacturing the products in-house. We intend to continue manufacturing some of our merchandise in-house, as these products generate higher margins than our other private label, internationally sourced and Hong Kong sourced products.

Our manufacturing facilities in Hong Kong have an aggregate gross floor area of approximately 1,360 sq.m. Our manufacturing facilities had a production volume of 583,000 units, 628,000 units and 616,000 units for the financial year ended 30 April 2011, 2012 and 2013, respectively, and we estimate that they are operating at over 90% capacity, which is near full capacity. We believe that our manufacturing capacity is sufficient for our current needs, and do not currently have plans to expand our manufacturing facilities. Our management may consider increasing our manufacturing capabilities as necessary and if the opportunity arises as we expand.

For the financial years ended 30 April 2011, 2012 and 2013, our in-house manufactured products accounted for 1.6%, 1.6% and 1.5%, respectively, of our retail revenue in Hong Kong.

Hong Kong Sourced Products

"Hong Kong sourced products" refer to products that we purchase from Hong Kong suppliers, including distributors, brand agents and direct representatives of international brands. Our Hong Kong sourced products are either shipped to our warehouses for further distribution or shipped directly to our individual stores. As with our suppliers of internationally sourced products, we select our Hong Kong suppliers after carefully considering their product quality, price, reliability and our past experiences in conducting business with them. We generally settle these purchases within 30 to 90 days, under varying terms of open credit. Some of these suppliers and brand agents grant us discounts due to the large volumes that we purchase.

Our purchases of Hong Kong sourced products are made by purchase orders and governed by standard agreements. Our standard agreements are legally binding framework agreements that have no termination date, and are amended periodically as circumstances require. Generally, all products and pricing purchased from these suppliers must be approved by our purchasing department. Our standard agreements with our Hong Kong suppliers generally do not specify any minimum purchase amount. However, pursuant to certain of our standard agreements, we are entitled to receive annual rebates equal to a percentage of our annual purchase amount from the supplier; some agreements provide for an additional fixed percentage rebate when specified purchase targets exceeding the minimum purchase target for receiving a rebate are met. These rebates may be in the form of cash or credit. At our option, we may return or exchange products which are defective or do not meet the specifications provided by us to the supplier. In the financial years ended 30 April 2011, 2012 and 2013, we received approximately HK$5.9 million, HK$7.8 million and HK$8.4 million, respectively, in sales rebates.

For the financial years ended 30 April 2011, 2012 and 2013, our Hong Kong sourced products accounted for 53.4%, 47.7% and 47.2%, respectively, of our retail revenue in Hong Kong. For the financial years ended 30 April 2011, 2012 and 2013, our Hong Kong sourced products which were shipped to our warehouses for further distribution accounted for 3.5%, 6.0% and 8.4%, respectively, of our retail revenue in Hong Kong and had gross profit margins of 52.8%, 47.9% and 45.8% for those same years. For the financial years ended 30 April 2011, 2012 and 2013, our Hong Kong sourced products which were shipped directly to our individual stores accounted for 49.9%, 41.7% and 38.8%, respectively, of our retail revenue in Hong Kong and had gross profit margins of 30.2%, 30.7% and 31.5% for those same years.

SUPPLIERS

We select, engage and maintain relationships with over 650 suppliers in 13 regions, including Hong Kong, Japan, Korea, Thailand, Taiwan, Malaysia, the PRC, Europe and the Americas. As we have a wide network of suppliers, we are not reliant on any single supplier for our merchandise. We have conducted business with our top ten suppliers in the financial year ended 30 April 2012 for an average of ten years. During the Track Record Period, our top five suppliers, most of which were distributors operating primarily in Hong Kong and Japan, accounted for 19.7%, 19.4% and 17.3% of the total purchases of our Group in the financial years ended 30 April 2011, 2012 and 2013, respectively. We primarily purchased household electronics, housekeeping items, plasticware and light bulbs from our top five suppliers during the Track Record Period.

CUSTOMERS

Our customers, other than the export customers who purchase merchandise from us through our export business and our licenced stores, are primarily retail customers. We do not sell our products through any distributors. We believe the majority of our retail customers are middle-aged women. We aim to expand our customer base to include younger individuals and male consumers. Our top five customers were export customers and our licenced stores. During the Track Record Period, our top five customers accounted for 2.8%, 2.6% and 2.1% of total revenue of our Group in each of the financial years ended 30 April 2011, 2012 and 2013, respectively.

Customer service is important to us, and we believe that it has contributed significantly to the success of our business. Accordingly, we provide training to our sales employees to provide helpful and efficient service to our customers. We have a telephone hotline which customers may call to raise complaints or concerns. We believe that our return policy, which generally allows customers to return defective products within seven days of purchase with a receipt for a product exchange or a cash refund, also attracts customers to our stores as it differentiates us from smaller-scale, individual “mom-and-pop” stores that typically do not allow any returns. We did not have a significant amount of product returns or customer complaints during the Track Record Period.

OUR OPERATIONS

We have developed and implemented standardised operations, which we believe distinguishes us from competing small scale housewares stores. We have a set of standard operating procedures for our operations that are detailed in our employee manual, store opening and operations manual, and settlement and cash management manual, as well as a comprehensive master product list for our product sourcing.

Management Structure

Our management structure is designed to promote efficiency in supervising, directing and supporting our operations, quality control, recruitment and employee training. The overall management of our business and operations, including the corporate business and administration, operational management and supervision, management-level recruitment and sales and marketing for our Group as a whole, is conducted in Hong Kong. Our operations are organised by function and we have teams that handle our purchasing, day-to-day store operations, warehouse management and logistics, information technology, leasing and accounting and finance. In addition, we have personnel dedicated to our Singapore, West Malaysia and PRC store operations, licenced stores and export customers.

Store Profiles

We categorise our stores by size and customer spending power in each region. For example, in Hong Kong, we categorise our stores into three major sizes: small stores are below approximately 140 sq.m., medium stores range from approximately 140 sq.m. to 230 sq.m.; and large stores are approximately 230 sq.m. and above. We select our store sizes based on the availability and cost of rental spaces, the population density and customer needs in the surrounding area and the proximity of our own or other similar stores in the area.

Our store profiles serve as a framework for decisions regarding the types and quantities of products to stock in our stores and the types and quantities of new products to introduce in our stores. We build these store profiles from data on customer spending habits and store sales based on our experience and understanding of the market. Within the context of our store size and customer spending power categorisations, this information allows us to make informed, strategic decisions relating to product strategy. For example, the product mix in stores located in higher income areas generally include more higher value merchandise than stores located in lower income areas.

Leasing and New Store Selection

We have a dedicated team led by Ms. Ngai that monitors the tenancy agreements for our retail spaces, keeping track of our rental expenses and other terms of our tenancy agreements and staying informed about property rental market conditions in order to evaluate current and potential opportunities for leasing retail spaces. This team also actively seeks suitable locations for opening new stores and relocating stores.

Identifying suitable locations is key to our success. The factors we take into account when selecting retail spaces for new stores include size, accessibility, geographic location, proximity to competitors, local demographics and our own stores and rental rates. The key steps in preparing a retail space for a store opening are rental negotiation and execution, renovation, store set-up and staffing. Once our leasing team has identified and selected a site for a store, we are typically able to open the store within three to four weeks. Our capital expenditures for setting up a store, which include renovation costs and the purchase of shelving and other equipment, may vary depending on the size and condition of the retail space rented. Our average capital expenditure for each new store opening during the Track Record Period in Hong Kong, Singapore, West Malaysia and the PRC was approximately HK$400,000, HK$274,000, HK$714,000 and HK$311,000, respectively. Our average capital expenditures for new store openings in Singapore were relatively low because these stores required relatively less renovation and redecoration. Our average capital expenditures for new store openings in West

Malaysia were relatively high because our stores in West Malaysia are typically significantly larger in terms of gross floor area, and therefore require us to incur more initial capital expenditures for renovations and purchases of shelving and other fixtures. We also incurred significant expenditures for renovating and decorating our West Malaysia stores in order to improve the overall shopping environment. Based on the capital expenditure for opening a new store in Hong Kong, our Directors estimate that the capital expenditure for opening a new store in Macau is approximately HK$400,000. We communicate frequently with major landlords in order to stay up-to-date on the latest rental market information and opportunities. We primarily negotiate directly with landlords, and renting multiple retail spaces from the same landlord gives us added bargaining power when negotiating rental fees and other terms. After signing a tenancy agreement and upon completion of renovation, decoration and other preparation work, our management assigns a team of employees to the new store.

Because our brand is well-established in Hong Kong, we have been able to diversify our store locations to retail spaces other than premium street level sites, thereby benefitting from the lower rental costs for these locations. We also have the flexibility to rent retail spaces of varying sizes as we do not require special storage accommodations or large display areas for our products, and our product mix is easily adjusted for various store sizes or other characteristics.

Pricing Strategy

As a retailer of a wide range of common, everyday housewares, competitive pricing of our products is vital to the success of our business. We have a pricing policy pursuant to which we set targets for profit margins on our products. We compare the pricing of similar products offered by our competitors, and based on our experience, we set a price that we believe represents value-for-money and therefore will be sufficiently competitive while meeting our targeted profit margin. We continue to conduct regular checks on pricing in our competitors' stores as points of reference for all products in our stores. In addition to benchmarking against our competitors' pricing, we determine the retail price of our products with reference to market trends and seasonality and the pricing strategy as determined by our management.

Merchandising Strategy

We introduce new merchandise in our stores on an ongoing basis, and we offer seasonal items according to local cultures, customs and other characteristics. Our merchandise mix is based on the evolving preferences and needs of customers based on customer feedback and sales information collected from our stores.

We have established centralised purchase procedures for our merchandise. Our purchasing team proactively seeks to introduce new product categories. They evaluate all product and pricing information provided by new and existing suppliers, based on which decisions are made regarding introducing new products and replenishing our inventories.

LOGISTICS & INVENTORY

Product Distribution

We place orders for merchandise with our suppliers on an as needed basis. Our management is able to monitor merchandise and inventory levels in our Hong Kong stores and warehouses on a weekly basis with data collected through our information technology systems. We monitor inventory for our overseas operations through reports regularly submitted by

management in those locations. Based on these reports from our information technology systems and input from our district and store managers, our purchasing team places orders with our suppliers to replenish merchandise sold, maintain adequate inventory levels and also to introduce suitable new products. See "– Inventory Management" for more information.

Delivery Through Warehouses

We have warehouse facilities in Hong Kong, Singapore, West Malaysia and Nanjing. Upon delivery to these warehouses, our products are checked, packed and consolidated for further delivery based on inventory needs. Our Hong Kong warehouses consolidate and ship merchandise to our stores and export customers. We have contracted with a logistics company for the regular delivery of our merchandise from our warehouses to our stores.

We are in the process of identifying suitable locations or premises for establishing logistics centres in our major suppliers' regions to support our planned expansion.

Our employees count and confirm the receipt of the correct quantity of the products delivered to our warehouses and routinely perform quality control checks of random selections of the delivered products for defects or damage. In the event that the quantity is inadequate or quality is unsatisfactory, we notify the responsible supplier or manufacturer, who supplements the shortfall or replaces the defective goods. Alternatively, the supplier or manufacturer may offer to credit the value of the defective goods in a subsequent invoice. During the Track Record Period, we did not encounter any material defects in our merchandise.

Quality Control

We select new suppliers after carefully considering their product quality, price, reliability and our past experiences in conducting business with them, including whether our suppliers have had any product liability issues or complaints. The engagement of new suppliers and purchase of new products is subject to review and approval by our purchasing department. We require our suppliers to provide a test certificate for households electronics products and check samples of our household electronics products prior to making a purchase decision. In order to minimize any safety risks associated with our food products, we only engage reputable suppliers of products widely sold throughout Hong Kong and generally only offer food products which have a long shelf life. We also only accept food products from our suppliers with expiry dates of at least six months after the date of purchase. Our store employees regularly check expiration dates of our food products as part of our ongoing inventory management. We inspect and perform quality tests on random selections of our in-house manufactured products to ensure they are fully functional.

We may negotiate returns or exchanges if we find products to be defective or otherwise in unsaleable condition. Under the terms of our agreements, our private label manufacturers indemnify us for losses incurred as a result of product liability. In the event that our products subject us to product liability claims, we may seek compensation from the relevant supplier under the terms of the contract or to the extent permitted by applicable laws. We may also cease our business relations with that supplier. For more information on product liability risks, see "Risk Factors – Risks Related to Our Business – We are subject to product liability risks."

During the Track Record Period, we were not subject to any product liability claims or adverse publicity due to deficiencies in product quality in Hong Kong, Singapore, West Malaysia, the PRC or Macau.

Delivery to Stores

Some of our Hong Kong sourced products are shipped by the supplier directly to our stores. We arrange for delivery of merchandise to our licenced stores and export business customers according to the terms of the relevant purchase order.

Inventory Management

Our inventory comprises our private label products, internationally sourced products, Hong Kong sourced products and in-house manufactured products. Historically, each store and warehouse in and outside of Hong Kong carried out stocktake on a yearly basis. Beginning in the financial year starting on 1 May 2012, each store and warehouse began carrying out stocktake twice per year. Our central management regularly monitors the inventory levels in our stores and warehouses tracks inventory movement, sales progress and adjusts levels of inventory accordingly. See "– Information Technology."

At the store level, each store in and outside of Hong Kong monitors its inventory on an ongoing basis, in order to replenish products sold as well as to identify slow-moving, damaged or expired inventory. At the end of each business day, employees identify the items that need replenishing. Each store places orders with the relevant warehouses or suppliers on an as-needed basis to ensure timely replenishment of products sold. Our employees also check our warehouse inventory on a monthly basis for damaged or expired inventory, including products returned from stores which are not in saleable condition. We prepare monthly reports on our warehouse inventory, which include information on inventory levels, inventory value, items that are out of stock and items that recorded no sales within the previous two months. This allows us to regularly assess the sales performance of our inventory and to identify slow-moving inventory or products we no longer plan to offer at our stores. We may occasionally offer discounts in order to clear out slow-moving inventory.

Our purchasing department monitors the inventory levels of each product in stores and in our warehouses. Our purchasing department holds weekly meetings with our chief operating officer for inventory management and procurement. Our purchasing department employees are each responsible for monitoring certain products and may refer to the monthly warehouse inventory reports as needed. Procurement decisions are made according to inventory levels and movement, expected sales and lead times of each product. This helps us to avoid overstocking in our warehouses. The increase in our inventory levels over the Track Record Period was due to an increase in bulk purchases of internationally sourced products as we expanded our operations.

As we do not rely on inventory aging reports to identify slow-moving inventory, we do not prepare inventory aging reports. Our management and purchasing department assesses each product individually to identify slow-moving inventory. Generally, we deem our products to be slow-moving if they remain in our inventory longer than we anticipate at the time of our purchase. Some products are not deemed slow-moving unless they remain unsold for a year; other products may be deemed slow-moving after a few months. Due to the different turnover rates of our various products, we believe that a Group-wide aging analysis would not provide meaningful information for evaluating our inventory turnover. Instead, we utilise our monthly warehouse inventory reports to track and manage our inventory movement.

We believe that our inventory, which primarily comprises housewares products, generally does not become obsolete due to its nature. We did not make provisions for our inventory during the Track Record Period. We write off our inventory which is damaged or otherwise no longer in saleable condition. We may also write down our inventory that we believe will be sold at a lower price than originally expected. During the Track Record Period, the amount of inventory written off was no more than 1.0% of our revenue for each of the financial years ended 30 April 2011, 2012 and 2013.

INTERNAL CONTROL PROCEDURES AND CASH MANAGEMENT

Overseas Expansion Risk Management

As we continue to expand our operations in Singapore, West Malaysia, the PRC and Macau, we will monitor and manage the risks associated with our overseas operations. See "Risk Factors – Risks Related to Our Business – Our non-Hong Kong operations subject us to additional risks." Our management considers, among other things, the costs, current economic condition, sufficiency of funding and opportunity for growth, when opening new stores outside of Hong Kong. We manage our financial risk by preparing budgets in order to monitor our performance as we expand and adjust our expansion plans accordingly on an ongoing basis. Compared to our more established operations in Hong Kong, Singapore and Macau, our operations in the PRC and West Malaysia are still at relatively early stages of development, and therefore have not yet begun recording profit. We maintain as a Group, and require our overseas operations to maintain, sufficient cash and bank balances to manage our liquidity risk.

We are exposed to foreign currency exchange fluctuations arising in the normal course of our business operations, primarily with respect to United States dollars, Renminbi and Japanese Yen. We believe that we have minimal foreign exchange risk as because we settle most of our purchases in Hong Kong dollars, do not enter into contracts with long payment or credit terms, and the vast majority of our sales are settled immediately. As at 30 April 2013, over 90% of our trade and other payables was denominated in Hong Kong dollars, with the remaining amounts denominated in Singapore dollars, Malaysian Ringgit, Renminbi, Taiwan New dollars, Macanese Patacas and United States dollars. For a breakdown of the currencies of our trade and other payables over the Track Record Period, see Note 23(c) to the Accountant's Report in Appendix I to this prospectus. Our foreign exchange risk primarily arises when we purchase products from our suppliers in a certain currency and sell them to our customers in a different currency, and the exchange rate between those currencies experiences significant fluctuations. In the event that foreign currency exchange rates fluctuate significantly, we pass on the cost to our customers by adjusting our product prices. We require our overseas joint venture partners to manage foreign exchange rates and exposure of transactions in currencies other than their functional currencies, and our financial controller performs regular reviews of our Group's net foreign exchange exposure. If there are major fluctuations detected in the relevant exchange rates, our joint venture partner may discuss with our purchasing department and financial controller, and adjustments will be made to our purchasing and pricing strategies accordingly. We do not use any hedging arrangements to hedge foreign risk exposure. See Note 3 to the Accountant's Report in Appendix I to this prospectus for more information on liquidity and foreign exchange risk and "Risk Factors – Risks Related to the Global Offering – Fluctuations in exchange rates may result in foreign currency exchange losses and may materially and adversely affect your investment" for more information on foreign exchange controls in the jurisdictions in which we operate.

Our overseas operations are subject to taxation. See "Financial Information – Description of Selected Components of Our Statements of Comprehensive Income – Income Tax Expense" for additional information on overseas taxation on our operations. In order to monitor our overseas tax exposure in Singapore and Malaysia, we have engaged PricewaterhouseCoopers Singapore and PricewaterhouseCoopers Malaysia to act as local tax representatives to oversee our tax filings and other obligations. In anticipation of our expansion in the PRC, we have engaged Jiangsu Surui Registered Tax Agent Office Co. Ltd. in the PRC to oversee our tax filings and other obligations and expect to finalize such engagement by Listing. Our auditor in Macau, Fong Mei Fan, also serves as our qualified tax representative, overseeing our tax filings and other obligations, in Macau.

We currently have minimal transfer pricing tax exposure. We price intra-Group sales to reflect costs of procurement and delivery of the products sold and purchased, and these prices are comparable to the prices of equivalent products offered by third party suppliers in the regions where we operate. As our overseas operations expand, we anticipate that our operating entities in each jurisdiction will independently be able to meet their respective suppliers' minimum order quantities, and will therefore be able to place orders directly from suppliers rather than purchasing those products from within the Group. We expect that this will gradually eliminate our transfer pricing tax exposure.

We ensure that we own a majority interest in the overseas stores operated by our non-wholly-owned subsidiaries so that we may retain sufficient control over key decisions. We also select joint venture partners who we believe have sufficient knowledge, experience and expertise in their respective markets to ensure that our store operations can satisfy local requirements, customer demands and preferences. Our licenced stores are governed by operating arrangements which grant us control over their store operations. In addition, we may consult local counsel in order to ensure compliance with relevant local laws and regulations in the jurisdictions in which we operate if and when considered necessary.

Our senior management reviews and evaluates our expansion plans and progress on a quarterly basis with input from our heads of retail operations and our joint venture partners in each region. If needed, our heads of retail operations or joint venture partners communicate with senior management on a more frequent basis to make ongoing adjustments to our expansion plans. Our chief operating officer and general manager regularly report the status and performance of our stores in Hong Kong to the Board. Our heads of retail operations for Singapore and West Malaysia, the PRC and Macau each regularly report the status and performance of our stores in their respective regions to the Board. Based on the financial performance and the assessment by the heads of retail operations in these regions, our Board may decide to revise our expansion plans or otherwise adjust our operations.

In respect of our non-Hong Kong operations, our internal control consultant has reviewed the internal controls of, and identified areas for improvement in, our Singapore operations. The areas reviewed by our internal control consultant include the monitoring of sales and revenue, management of suppliers and accounts and inventory management. In addition, our internal control consultant has provided recommendations for the improvement of our internal controls related to the aforementioned areas, and has discussed the implementation of these measures with our relevant local management. As at the Latest Practicable Date, we had completed the implementation of internal control measures recommended by our internal control consultant which are considered significant to the Group's operations. We believe these recommendations are also relevant to our operations in other non-Hong Kong jurisdictions and intend to apply them as appropriate as we continue to expand our operations. In particular, our internal control

consultant has also reviewed the policy relating to the overall governance of our overseas operations, and we intend to implement this policy governing our overseas operations going forward. The internal controls review described above was conducted based on information provided by the Company and no assurance or opinion on internal controls was expressed by the internal control consultant.

Having considered the current status of our operations, reviewed our expansion plans and consulted our internal control consultant, our Directors believe that the planned and existing internal control measures and policies as described in "– Overseas Expansion Risk Management" will be adequate in reducing the risk of future non-compliance in the jurisdictions in which we operate. On the basis of the due diligence performed, having discussed the Group's existing and planned internal control measures with the Company, the Company's internal control consultant, and having considered the known circumstances of the Group, the Sponsor is satisfied that the Group's internal control measures and policies as described in "– Overseas Expansion Risk Management" will be adequate under such circumstances when they are implemented as planned.

For further information on risks relating to our non-Hong Kong operations, see "Risk Factors – Risks Related to Our Business – Our operations in the PRC and West Malaysia are still at relatively early stages of development and may not achieve our desired results", "Risk Factors – Risks Related to Our Business – We rely on our joint venture partners and business partners who operate licenced stores for our store operations outside of Hong Kong" and "Risk Factors – Risks Related to Our Business – Certain of our operations are conducted through licenced stores operated by our business partners, which have unique risks."

Cash Management

Over 80% of our sales in Hong Kong were in the form of cash transactions in the financial years ended 30 April 2011, 2012 and 2013. Each of our stores in Hong Kong, Singapore, West Malaysia and Macau is linked to our POS system so that management in Hong Kong may monitor sales on a daily basis. Our management in Hong Kong can also access sales data from our PRC stores on a daily basis. We deposit cash received from sales into our Group bank account every day, and maintain a specified level of cash-on-hand in each store as designated by management guidelines. Each store manager is responsible for the cash count, reconciliation and deposit for that store. We engage a reputable cash transport service provider to deliver cash from selected stores.

Other procedures for cash management include daily reconciliations of sales and actual cash receipts. Reports from our Hong Kong stores are sent to management through our central accounting system for reconciliation at the close of business each day, and management utilises this information to monitor the deposit of cash into our bank account. If there are late or missing cash deposits, our management informs the district manager who in turn follows up with the relevant store to resolve the issue.

In Hong Kong operations, our cash management policies provide guidelines with respect to the following areas:

- procedures for handling the cash register;
- treatment of discrepancies between prices in the POS system and shelf prices;
- procedures for verifying HK$500 and HK$1,000 banknotes;

- surveillance cameras;
- custody of cash at stores; and
- required daily deposits into bank accounts for cash generated from daily sales.

Similarly, our stores in Singapore, West Malaysia, the PRC and Macau reconcile sales and actual cash receipts at the store-level and deposit cash into bank accounts regularly. Our management in Hong Kong is able to access the sales data and bank account information of these overseas stores on a daily basis. Our management in Hong Kong regularly checks the bank balances for the deposit of cash from sales for these stores and contacts the stores directly to clarify any discrepancies.

During the Track Record Period, we did not experience any misappropriation of cash by our employees that had a material adverse impact on our business and results of operations.

SALES AND MARKETING

We have implemented various advertising and promotional activities to maintain and further strengthen our brand. Since we have established a strong and reputable brand, the main focus of our advertising and promotional efforts is to maintain brand awareness among public consumers and promote sales of our products. Our strongest advertising asset is our strong brand and the customer goodwill we have earned through consistent delivery of a convenient, one-stop shopping experience for quality products at competitive prices. Our sales and marketing team develops marketing plans, regular advertisements and promotional activities for our stores and licenced stores which are then modified to meet local customer preferences and seasonal demand in each region. However, we do not spend significant time and resources on advertising activities as we believe the interactive nature of our relationship with our customers through their shopping experience and our customer service allows us to obtain new customers and retain existing customers' loyalty. For the financial years ended 30 April 2011, 2012 and 2013, we spent approximately HK$6.5 million, HK$6.8 million and HK$10.7 million, respectively, on advertising and promotion expenses, which represented 0.6%, 0.6% and 0.7%, respectively, of our revenue for those same years.

Charity and Corporate Social Responsibility

Our Group attaches great importance to corporate social responsibility and participates in many charitable initiatives. For example, we have sponsored activities organised by the Care for the Elderly Association, as well as other community groups which focus on aid to the elderly or impoverished. We have also partnered with Oxfam, an international association combating poverty and injustice, ORBIS, a non-profit organisation dedicated to fighting preventable blindness, and Heifer International, an organisation combating world hunger, to set up donation boxes at certain of our stores.

We also support environmental awareness organisations such as WWF-Hong Kong, of which we are a Silver Member based on our regular donations and Eco Association, through donations and participation in environmental awareness activities. Certain of our stores serve as collection points for the Fluorescent Lamp Recycling Programme where customers can return used fluorescent lamps for safe and environmentally-friendly disposal. We also participate in and assist in promoting the Eco Association's office paper recycling campaign.

INFORMATION TECHNOLOGY

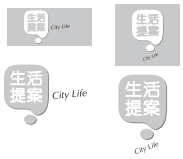
Our information technology systems support our store operations, inventory control, sales management and overall management function. Our information technology systems include a point of sale ("POS") system, an electronic replenishment system and a central accounting system. Our proprietary POS system is used in all of our stores to handle sales. It tracks the sales of each product in all of our stores, which allows us to monitor our sales and inventory. Access to this daily inventory and sales data of our stores allows our management to monitor store performance and make appropriate adjustments in response to customer purchasing behaviour. Our proprietary electronic replenishment system allows each store in Hong Kong to place direct orders for all of the products stocked in our Hong Kong warehouses. We also use this electronic replenishment system to generate orders for products that are shipped directly to individual stores, which are then forwarded to the relevant supplier. We collect and monitor sales from each of our Hong Kong and Macau stores on a daily basis through a centralised accounting system. Our Singapore, West Malaysia and PRC stores also regularly submit their accounting information to our central management.

INTELLECTUAL PROPERTY

Our intellectual property rights, in particular our store brands and private label products, are critical to our business and we rely on trademark laws to protect them.

As at the Latest Practicable Date, we had 21 registered trademarks in Hong Kong and two registered trademarks in Singapore and 14 registered trademarks in the PRC. The following selected trademarks are material to our business, operations and competitive position.

Trademark	Registrant	Registration Date	Expiry Date	Jurisdiction
A 日本城 B 日本城 C 日本城	JHC (HK)	4/12/2003	10 years after registration (renewal granted for a period of 10 years from 3/12/2013)	Hong Kong
A C B D	JHC (International)	14/2/2008	10 years after registration	Hong Kong
日本の家 JAPAN HOME	JHC (Singapore)	13/9/2011	10 years after registration	Singapore
Living plus	Familj	14/6/2013 21/6/2013 7/5/2013 7/7/2013	10 years after registration	PRC
泛美家	Familj	7/5/2013	10 years after registration	PRC
泛美家 Living plus	Familj	7/5/2013	10 years after registration	PRC

Trademark	Registrant	Registration Date	Expiry Date	Jurisdiction
	JHC (HK)	28/9/2012	27/9/2022	Hong Kong

EMPLOYEES

As at 30 June 2013, we had 1,942 employees, including 1,569 in Hong Kong, 252 in Singapore, 59 in West Malaysia, 35 in the PRC, 24 in Macau and three in Taiwan, and excluding employees at our licenced stores. Of these, approximately 1,267 were full-time employees and 675 were part-time employees. The following table sets forth the breakdown of our employees by department:

Function	No. of Employees
Management	15
Office	128
Warehouse	105
Manufacturing	20
Retail operations	1,674
Total	1,942

We aim to foster a strong sense of community in a motivating environment for our employees to enhance employee loyalty and dedication. We strive to motivate our employees with a clear career path which provides them with opportunities to improve their skills. We provide mandatory training to our employees upon hiring and further tailored training programmes on an ongoing basis as appropriate for their assigned duties. This training includes sales and customer service skills for our retail operations employees. We invite our employees from Singapore, West Malaysia, the PRC and Macau to Hong Kong for additional training courses from time to time. In order to remain attuned to the need for employee training and improvements in customer service, we regularly send members of our management to Singapore, West Malaysia, the PRC and Macau for ongoing assessment of employee performance and to provide further guidance and instruction as needed.

Compensation for our full-time employees typically comprises basic salaries, certain allowances and discretionary bonuses. Compensation for our part-time employees typically comprises basic salaries and discretionary bonuses. We also provide incentives for employees who meet certain sales targets to motivate them and to boost our sales. We provide a defined contribution to the Mandatory Provident Fund as required under Hong Kong law for our eligible employees in Hong Kong. We provide employees in our stores outside of Hong Kong with benefits as required under the relevant laws of those jurisdictions.

PROPERTIES

As at the Latest Practicable Date, we did not own any properties, and we rented all of our store sites, office premises, warehouses, manufacturing and other facilities. Our rental expenses for our rented properties were HK$143.9 million, HK$171.8 million and HK$220.1 million for the financial years ended 30 April 2011, 2012 and 2013, respectively. We do not intend to acquire any properties for our retail sites in the future.

Our tenancy agreements typically have an initial term of two or three years with generally a rent-free period not longer than one or two months for new tenancies. We did not have significant difficulties in renewing our tenancy agreements in a timely manner during the Track Record Period.

As at 30 April 2013, we rented a total of 235 properties in Hong Kong, comprising stores, warehouses, office premises and manufacturing facilities. We rented 230 stores, which we categorise into three major sizes: small stores, which have a gross floor area of below approximately 140 sq.m., medium stores, which have a gross floor area ranging between approximately 140 sq.m. and 230 sq.m., and large stores, which have a gross floor area of approximately 230 sq.m. and above. We also rented two warehouses with a gross floor area of approximately 7,650 sq.m. and approximately 10,220 sq.m., respectively, office premises with a gross floor area of approximately 228 sq.m., and two manufacturing facilities with an aggregate gross floor area of approximately 1,360 sq.m. We rented 32 stores and one warehouse in Singapore, nine stores and two warehouses in West Malaysia, seven stores and one warehouse in the PRC and five stores in Macau.

The following table sets forth the expiration of our tenancy agreements for our stores in Hong Kong, Singapore, West Malaysia, the PRC and Macau as at 31 July 2013.

	Calendar year of tenancy agreement expiry	Number of tenancy agreements related to our stores
Hong Kong[(1)]	2013	26
	2014	83
	2015	86
	2016	30
	2017 and after	12
	Sub-total	237
Singapore[(2)]	2013	7
	2014	5
	2015	16
	2016	9
	2017 and after	1
	Sub-total	38

	Calendar year of tenancy agreement expiry	Number of tenancy agreements related to our stores
West Malaysia[3]	2013	–
	2014	3
	2015	5
	2016	1
	2017 and after	–
	Sub-total	9
PRC[4]	2013	3
	2014	1
	2015	1
	2016	1
	2017 and after	–
	Sub-total	6
Macau[5]	2013	1
	2014	2
	2015	2
	2016	–
	2017 and after	–
	Sub-total	5
Total		295

(1) In addition to these 237 tenancy agreements, as at 31 July 2013, we had entered into three additional Hong Kong tenancy agreements which are renewed on a monthly basis. 146 of our Hong Kong tenancy agreements provide for both fixed rent and turnover rent, of a rate which generally ranges from approximately 4% to 8%, while the remaining 91 tenancy agreements only provide for fixed rent. Ten of these tenancy agreements will be continuing connected transactions upon Listing. See "Connected Transactions" for more information.

A total of 109 of our tenancy agreements in Hong Kong will expire in the calendar year 2013 and the calendar year 2014, as follows: two will expire in August 2013; four will expire in September 2013; six will expire in October 2013; eight will expire in November 2013; six will expire in December 2013; five will expire in January 2014; five will expire in February 2014; six will expire in March 2014; five will expire in April 2014; ten will expire in May 2014; six will expire in June 2014; 12 will expire in July 2014; four will expire in August 2014; nine will expire in September 2014; four will expire in October 2014; ten will expire in November 2014; and seven will expire in December 2014.

(2) Eight of our tenancy agreements in Singapore provide for both fixed rent plus turnover rent of a rate of 0.5% or 1.0%; eight of our tenancy agreements in Singapore provide for either fixed or turnover rent, whichever is higher; and 22 of our tenancy agreements in Singapore provide for fixed rent. Turnover rent is of a rate which ranges from approximately 10% to 20%.

12 of our tenancy agreements in Singapore will expire in the calendar year 2013 and the calendar year 2014, as follows: two will expire in August 2013 (one of which has been renewed with a new expiry date of August 2016, and one in respect of which a renewal is currently being negotiated); one will expire in November 2013 and has been renewed with a new expiry date of November 2016; four will expire in December 2013; and one will expire in each of May 2014, June 2014, July 2014, October 2014 and December 2014.

(3) Two of our tenancy agreements in West Malaysia provide for fixed rent; one of our tenancy agreements in West Malaysia provides for turnover rent; and six of our tenancy agreements in West Malaysia provide for either fixed or turnover rent, whichever is higher. Turnover rent is of rate which ranges from approximately 5% to 10%.

One of our tenancy agreements in West Malaysia will expire in October 2014, and two will expire in November 2014.

(4) Two of our tenancy agreements in the PRC provide for fixed rent; three of our tenancy agreements in the PRC provide for either fixed rent or turnover rent, whichever is higher; and one of our tenancy agreements in the PRC provides for turnover rent. Turnover rent is of rate which ranges from approximately 12% to 19%.

Four of our tenancy agreements in the PRC will expire in the calendar year 2013 and the calendar year 2014, as follows: one will expire in September 2013; two will expire in October 2013; and one will expire in February 2014.

(5) Two of our tenancy agreements in Macau were entered into by Mr. Lau in his personal capacity. See "Connected Transactions – Arrangements Involving a Connected Person" for more information.

Three of our tenancy agreements in Macau will expire in the calendar year 2013 and the calendar year 2014, as follows: one will expire in each of December 2013, April 2014 and September 2014.

In respect of the tenancy agreements in Hong Kong which will expire (or have expired) in the calendar year 2013, having considered the original rental amount under these agreements and the expected increase in rental rates upon their renewal, the expected increase in rental rates for the agreements expected to be renewed in aggregate will amount to less than 1% of our Group's revenue for the financial year ended 30 April 2013. Therefore, our Directors believe that the potential impact of the expected increase in rental rates for the expected renewals will be insignificant to our Group.

In respect of the tenancy agreements in the Group's non-Hong Kong jurisdictions which will expire (or have expired) in the calendar year 2013, our Directors believe that the Group is unable to provide a meaningful estimate of the potential impact of changes in rental rates upon renewal of these agreements, as the changes in rental rates are subject to many factors and are ultimately determined after negotiation between the parties. However, our Directors believe that the potential impact would be insignificant to the Group, as the number of leases expiring in the calendar year 2013 in these non-Hong Kong jurisdictions represents a small portion of the total number of leases held by our Group.

Our Directors believe that we are generally able to relocate our operations to other comparable properties without incurring substantial additional costs, and are therefore of the view that none of the properties occupied by the Group is material or crucial to our operations.

Because we do not own any property, we are not required by Chapter 5 of the Listing Rules to value or include in this prospectus any valuation report of our property interests. Accordingly, pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which requires a valuation report with respect to all our Company's interests in land or buildings.

AWARDS AND RECOGNITION

Our Group has earned numerous awards and recognitions throughout our operating history, which we attribute to the reputation of the Group and the quality of our products. The following table sets out the major awards and recognitions we have received over the years:

Awards/Memberships	Year Awarded	Organiser/Association
Hong Kong Top Service Brand Award	2007–2013	Hong Kong Brand Development Council + CMA HK
No Fakes Pledge	2007–2013	IPD of HKSAR
Caring Company	2004–2013	HKCSS
Smiling Enterprise Award	2012	Mystery Shopper Service Association
Q-Mark	2006–2012	The Federation of Hong Kong Industries
Quality Tourism Services	2003–2012	HKTB
The Best for Home	2008–2011	Take Me Home Weekly District Newspaper
3 Magazine Smart Living 2009 Brand	2009	3 Magazine
Certificate Award for the Best Brand Enterprise	2007	Hong Kong Productivity Council
Retail Asia-Pacific Top 500	2008	Retail Asia Magazine
Hong Kong Quality Brand	2008	Hong Kong Encyclopedia
Most Favourable Hong Kong Brand – Golden Brand	2008	CERCAO
Superbrands	2004	Superbrands
Integrity Award	2003–2004	Guangzhou Daily

COMPETITION

We operate in the housewares products market. Our direct competitors are other housewares retail chains, and our indirect competitors are supermarkets, hypermarkets, department stores, furniture stores and "mom-and-pop" housewares stores. In Hong Kong, the housewares retail chains market is dominated by several leading market players. In Singapore, Malaysia and the PRC, the housewares retail chains markets are at an early stage of development. Limited retail space and high start-up costs are key barriers to entry in the housewares retail chains market.

We provide a "one-stop" shopping experience characterised by our convenient locations, distinct branding, reasonable prices, high quality merchandise and unique product mix. We believe that these factors differentiate us from competing mass merchandise retailers, multinational chain housewares retailers and hypermarkets in Hong Kong, Singapore, Malaysia, the PRC and Macau. We have built a strong brand image in Hong Kong, and are able to reinforce our brand's association with "value for money" product offerings through our various promotional and redemption programmes. Our strong bargaining power and large global supplier network give us leverage in purchasing products at competitive prices from our suppliers, which in turn allows us to offer quality products at reasonable and competitive prices to our customers.

For more information on our competitors and the housewares products market, see "Industry Overview."

INSURANCE

Our Group's operations are covered by insurance policies which cover, among other things, our inventory, assets and stores. We have a worldwide marine open cover policy which insures our merchandise while it is transported by sea from our suppliers to port in Hong Kong. We also have insurance coverage for risks and liabilities arising in connection with our stores and retail operations, including with respect to our employees, risks of physical loss or damage to properties, third party liability and employee compensation.

We believe that our insurance coverage is consistent with industry and regional practice and are adequate for our business operations. From time to time, we review and assess our risk and adjust our insurance coverage as appropriate. For more information, see "Risk Factors – Risks Related to Our Business – Our insurance coverage may not be sufficient to cover all losses".

LEGAL PROCEEDINGS

Our Group has been involved in legal proceedings or other disputes in the ordinary course of our business from time to time, which are primarily infringement claims made by third parties relating to certain products sourced from our suppliers. We have not incurred significant legal costs and expenses in connection with these legal proceedings. We are not currently party to, or aware of, any material legal or administrative proceedings, claims or disputes pending or threatened against us.

REGULATORY COMPLIANCE

Our Directors confirm that, as at the Latest Practicable Date, the Company has obtained all material licenses and permits required to operate its business in Hong Kong, Singapore, West Malaysia and Macau. The following are incidences of non-compliance which, as at the Latest Practicable Date, are either in the process of being resolved or are not matters of a serious nature, and we believe that these incidents are not material to the Group.

No.	Matter	Laws and regulations concerning penalty	Rectification
1.	Failure to obtain the requisite MDTCC approvals in respect of four stores in West Malaysia.(1)	Foreign entities that are involved in distributive trade in Malaysia are required to obtain approval from the MDTCC prior to commencing such operations. According to our West Malaysia legal advisers, there are no legal sanctions for non-compliance with this requirement, as it is set forth in a guideline issued by the MDTCC and is not legislation passed by the Malaysian Parliament nor a regulation under any existing laws. However, the MDTCC may impose other sanctions for such non-compliance. For example, local authorities may withhold operational licences or permits that may be required under Malaysian law.	We submitted complete sets of the requisite documents to MDTCC on 12 July 2013. MDTCC granted its approvals for these four stores in West Malaysia on 25 July 2013. The non-compliance has been fully rectified.
2.	Failure to register two of our stores in the PRC as branches and to obtain business licenses for these two stores.(2)	PRC law requires that a company which operates business outside its domicile is required to establish a branch and obtain a business license for such branch issued by the local administration for industry and commerce. According to our PRC legal advisers, failure to register the branches may result in confiscation of income and/or imposition of fines up to RMB30,000 for each store by the relevant authorities.	One of these stores will be closed upon expiry of the relevant tenancy agreement on 31 October 2013. We are in the process of applying for business license for the remaining store and expect to obtain the business license before Listing. According to our PRC legal advisers, there are no material legal impediments to our rectifying this non-compliance.

No.	Matter	Laws and regulations concerning penalty	Rectification
3.	Failure to obtain fire safety inspection approvals or certificates for all of our PRC stores.(2)	PRC law requires that any store operated in a public gathering place apply for a fire safety inspection and obtain a fire safety approval or certificate prior to the commencement of its operation. According to our PRC legal advisers, we may be required to suspend our operation of the stores on the relevant properties, and may be subject to a fine of up to RMB300,000 for each store for which we fail to obtain a fire safety inspection approval or certificate.	We are in the process of applying for fire safety inspection approvals or certificates for all of our stores except for the two stores which will close in October 2013 upon the expiry of their tenancy agreements. On 21 August 2013, Jiangsu Zhongxing Fire Fighting Co., Ltd (江蘇鍾星消防工程有限公司) was appointed as our agent to apply for fire safety inspection approvals or certificates for our PRC stores. After performing inspection work, our agent will submit on our behalf the formal application for fire safety inspection approvals or certificates. We expect that the applications for our stores (except for the two stores which will close in October 2013 as mentioned above) will be made before Listing. According to our PRC legal advisers, the fire safety inspection approvals or certificates will normally be granted in around one to two month(s) upon submission of application, assuming that no extension is requested by the relevant authority. On this basis, and assuming that there are no other unforeseen circumstances or complications with our applications, the Company expects to obtain the approvals or certificates by the end of this year. The Company will disclose the progress of this rectification in its interim and annual reports after Listing. Any potential loss from fire is covered by fire insurance starting from 3 September 2013. According to our PRC legal advisers, there are no material legal impediments to our rectifying this non-compliance.

No.	Matter	Laws and regulations concerning penalty	Rectification
4.	Failure on the part of some of our Hong Kong subsidiaries to file required notices with the Registrar of Companies in Hong Kong upon certain changes to their corporate particulars within the prescribed timeframe.	Under Sections 45, 92, 107, 109 and 158 of the Companies Ordinance (the "Relevant Sections"), a Hong Kong company must file a notice with the Registrar of Companies in Hong Kong upon certain changes to its corporate particulars within the timeframe specified in the Relevant Sections. The relevant subsidiaries and every officer of the relevant subsidiaries who is in default may be subject to fines for such previous non-compliance of level 3 (HK$10,000) or level 5 (HK$50,000) (as the case may be) and a daily default fine of HK$300 (for level 3) or HK$700 (for level 5) (as the case may be) for each late filing under the Relevant Sections.	The relevant Hong Kong subsidiaries have filed all relevant and necessary prescribed forms and notices with the Hong Kong Companies Registry, and no notification of any possible prosecution of the Group or any officer of the relevant subsidiaries or penalties imposed on the Group or any officer of the relevant subsidiaries in relation to those late filing incidents has been received by the Group or any officer of the relevant subsidiaries.
5.	Certain of our Hong Kong subsidiaries (the "Relevant HK Subsidiaries") failed to present their respective audited accounts at certain of their respective annual general meetings held in previous years, and certain of their audited accounts so presented at such annual general meetings were as at a date falling more than nine months prior to the date of the relevant annual general meeting.	Pursuant to Section 122 of the Companies Ordinance, the directors of a Hong Kong company must cause the profit and loss account and balance sheet of the company to be prepared and presented before the company at its annual general meetings. Such accounts are required to be as at a date not more than nine months prior to the date of the relevant annual general meeting. Directors who fail to take reasonable steps to comply with Section 122 of the Companies Ordinance are subject to imprisonment for 12 months and a fine of HK$300,000.	On 5 July 2013, the directors of each of the Relevant HK Subsidiaries applied to the High Court of Hong Kong for an order to rectify the abovementioned non-compliance pursuant to Section 122(1B) of the Companies Ordinance. On 15 August 2013, the requested orders were made by the High Court of Hong Kong in respect of each of such applications, to the effect that (i) the requirements under Sections 122(1) and 122(2) of the Companies Ordinance be substituted and leave be granted for the laying of the relevant audited accounts before the Relevant HK Subsidiaries; and (ii) the time prescribed by Section 122(1A) of the Companies Ordinance for the laying of the audited accounts be extended. As such, the non-compliance with section 122 of the Companies Ordinance by the Relevant HK Subsidiaries has been rectified.

No.	Matter	Laws and regulations concerning penalty	Rectification
6.	Failure to register our PRC tenancy agreements as required under PRC law.(2)	PRC law requires that tenancy agreements be registered with the local real property administration bureau. According to our PRC legal advisers, failure to comply with this requirement could result in the imposition of fines ranging from RMB1,000 to RMB10,000 for each leased property that is unregistered if we fail to rectify the non-compliance within the timeframe prescribed by the relevant authorities.	We have been in discussions with the landlords and/or relevant parties, and will use our commercially reasonable efforts, with the aim of registering the relevant tenancy agreements. In case certain of these tenancy agreements cannot be registered upon expiry, the Company will re-negotiate with our landlords for the registration of the agreements as part of the renewal terms and consider not renewing the agreements. According to our PRC legal advisers, to complete the registration, we need cooperation from the landlords. Going forward, when renewing our tenancies or entering into new tenancies in the PRC, before we make the decision, we will consider all the relevant factors and circumstances including the willingness as may be demonstrated by the landlords to provide assistance in registering the tenancy agreements. According to our PRC legal advisers, there are no material legal impediments to our rectifying this non-compliance, although rectification of this non-compliance is subject to our landlords' cooperation, such as by their provision and registration of the master agreement.

(1) According to our West Malaysia legal advisers, our historical non-compliance with the MDTCC guidelines does not prevent us from expanding our operations or opening new stores in West Malaysia as currently planned.

(2) According to our PRC legal advisers, we will not be restricted or prohibited under relevant PRC laws from opening new stores as a result of this non-compliance in respect of our PRC stores.

Save as disclosed above, we confirm that, as at the Latest Practicable Date, there were no material breaches or violations of laws and regulations in Hong Kong, Singapore, West Malaysia, the PRC or Macau applicable to us that would have a material adverse effect on our business or financial condition taken as a whole.

In order to prevent breaches of the Companies Ordinance in the future, our Group has taken and will take the following steps to ensure due compliance with the applicable laws under the Companies Ordinance in the future:

– our Group will retain Fair Wind Secretarial Services Limited, a professional company secretarial firm with secretarial experience in listed companies in Hong Kong, to oversee and handle the company secretarial matters for the Company and its Hong Kong subsidiaries;

– our executive director and financial controller, Mr. Cheng Sing Yuk, a qualified accountant in Hong Kong with over 20 years of accounting and finance experience and a member of the Hong Kong Institute of Certified Public Accountants, will oversee the accounting matters of our Group, and will work with Fair Wind Secretarial Services Limited to oversee the company secretarial matters for our Hong Kong subsidiaries;

– our company secretary, Ms. Koo Ching Fan, a chartered secretary, will oversee the company secretarial matters and related legal and regulatory compliance in respect of the Company and its Hong Kong subsidiaries;

– our Group will retain a professional accountant to audit the accounts of our Group;

– our Group will retain external legal adviser(s) to advise on compliance matters when necessary; and

– our Group has established an audit committee comprising our independent non-executive Directors and non-executive Directors to oversee the financial reporting and internal control procedures of our Group.

New laws or regulations or changes in enforcement of existing laws or regulations may affect our operations. For example, the substantive provisions of the Hong Kong Competition Ordinance will come into force in 2013 or 2014, although the exact date on which they will become effective is not yet determined. The Group will take measures that it considers appropriate, including implementing internal guidelines and training and monitoring the Group's behaviour, to ensure that it will be in compliance with the new Hong Kong Competition Ordinance when it takes effect.

The past incidents of non-compliance were due to the unintended and inadvertent oversight of our local personnel responsible for the daily operations in the relevant jurisdictions.

Our Directors confirm that our Group will obtain all necessary licences, approvals, permits and certificates from the relevant government authorities before any new store begins operations. In order to ensure compliance of our overseas business operations with relevant local laws and regulations, we will conduct regular compliance checks including the completion of checklists prepared by our staff and with input from, and regularly reviewed by, our external legal advisers that will address compliance matters related to:

- business licences and permits;
- tenancy arrangements;
- health and safety requirements;
- local financial reporting requirements;
- tax compliance; and
- other applicable statutory requirements.

Our joint venture partners in Singapore, West Malaysia and the PRC, and our head of retail operations for the PRC and Macau along with local personnel, will be responsible for completing these compliance checks in their respective jurisdictions twice each year. These compliance checks will be completed by collecting and examining required documentation and consultation with the heads of retail operations in the relevant regions as needed. These joint venture partners and heads of retail operations will attend meetings with the boards of the relevant local subsidiaries twice each year to oversee our overseas compliance matters. After these meetings, the status of compliance matters in Hong Kong and the PRC will be reported to our chief operating officer, and the status of compliance matters in Singapore, West Malaysia and Macau will be reported to Ms. Ngai. Ms. Ngai and our chief operating officer each have extensive experience in retail operations and in managing operations in multiple jurisdictions. See "Directors and Senior Management" for further information. Our joint venture partners and heads of retail operations who will be responsible for carrying out compliance checks and overseeing compliance matters have substantial experience in retail operations, and knowledge of relevant rules and regulations, in their respective regions. In particular, our Singapore joint venture partner, who has experience in the West Malaysia retail industry as well as in Singapore, will also take responsibility for overseeing the Group's West Malaysia operations; and we recently appointed a new head of retail operations in the PRC, who has been with our Group in various roles for over 10 years. Neither of these individuals were involved in these roles when the incidences of non-compliance in their respective jurisdictions took place. Any material issues that are identified will be reported to our Board of Directors for further action and resolution.

The Company may also consult external legal advisers in Singapore, West Malaysia, the PRC and Macau, if and when considered necessary or appropriate, for legal advice relating to the legal and regulatory requirements in connection with its local operations and other matters arising in the ordinary course of business. In particular, to further enhance its internal controls and regulatory compliance measures in West Malaysia and the PRC, the Group is in the process of appointing external legal advisers on a retainer basis in each of these jurisdictions to provide consultation and advisory services regarding local legal and regulatory requirements. These external legal advisers will also provide periodic regulatory updates so that we will remain informed of any additional compliance obligations. Such engagement is expected to be finalized by Listing.

Having considered the facts and circumstances which led to the historical non-compliance incidents, their nature and materiality, and our Group's internal control measures to avoid recurrence of these non-compliances, the Sole Sponsor is of the view that these past incidences of non-compliance do not affect our Directors' suitability to act as directors of a listed issuer.

Our operations are subject to the following laws and regulations in Hong Kong, Singapore, West Malaysia, the PRC and Macau.

HONG KONG

Business Operations

In respect of the operation of the Group in Hong Kong, the Group is required to obtain business registration certificates issued by the Inland Revenue Department of the Hong Kong Government.

Consumer Protection and Product Liability

The contracts of the sale of goods in Hong Kong are mainly governed by the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) which governs the scope of certain implied terms or conditions and warranties generally relating to the safety and suitability of the goods supplied, for instance, goods for sale must be of merchantable quality and must correspond with the description and the sample.

In addition, the Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) ("CGSO") imposes statutory duty on manufacturers, importers and suppliers to ensure that the consumer goods supplied comply with the general safety requirement or the safety standards and specifications prescribed by the Secretary for Commerce and Economic Development of Hong Kong. The CGSO imposes criminal penalties for a breach of the safety requirements, and the Commissioner of Customs and Excise has the power to serve a recall notice requiring the immediate withdrawal of any consumer goods or products which are believed to be unsafe and may cause serious injury.

SINGAPORE

Regulation of Imports and Exports Act (Chapter 272A) of Singapore (the "Regulation of Imports and Exports Act") and Regulation of Imports and Exports Regulations (the "RIER")

Under the Regulation of Imports and Exports Act, the Director-General of Customs appointed under section 4(1) of the Customs Act (Chapter 70 of Singapore) may, subject to the approval of the Minister of Trade and Industry, make regulations for the registration, regulation and control of all or any class of goods imported into, exported from, transhipped in or in-transit through Singapore. Pursuant to Regulation 37(1) of the RIER, the Director General of Customs may maintain a register containing the particulars of importers, exporters, common carriers or any other person who desires to apply for a permit or any other form of approval under RIER.

JHPL is registered in this register. The registration of JHPL is non-transferable and specific to JHPL. The registration is subject to the regulations as may be prescribed by the Director-General of Customs from time to time.

Electrical Act (Chapter 89A) of Singapore

Under the Electrical Act (Chapter 89A), no person shall use, work or operate, or permit to be used, worked or operated any electrical installation without an electrical installation licence granted by the Energy Market Authority. The licensee is required to ensure that the electrical installation is properly maintained and inspected in accordance with the terms of the licence. Any licensee who fails to comply with the terms of such electrical installation licence may be guilty of an offence and may be liable on conviction for monetary fines and/or custodial sentences. An electrical installation licence shall specify a period of validity, but may be revoked prior to expiry and renewed upon expiry.

Sale of Food Act (Chapter 283) of Singapore

The objectives of the Sale of Food Act (Chapter 283) ("Food Act") include: (i) securing wholesomeness and purity of food and fixing standards for the same; (ii) preventing the sale or other disposition, or the use of articles dangerous or injurious to health; and (iii) regulation of food establishments. The Agri-Food & Veterinary Authority of Singapore ("AVA") administers and enforces the Food Act. Under the Food Act, it is an offence to sell any food which is unsound or unfit for human consumption. Pursuant to the Food Act, a licence must be obtained from the Director-General, AVA, for any place or any premises or part thereof used for the sale, or for the preparation or manufacture for sale, or for the storage or packing for sale, of food, whether cooked or not, intended for human consumption for the purpose of (i) distribution to wholesalers and retailers; or (ii) a cold store.

Under regulations enacted pursuant to the Food Act, it is an offence to import, sell, consign or deliver any prepackaged food with an expired date mark. Further, no person shall import, advertise, manufacture, sell, consign or deliver any prepackaged food if the package of prepackaged food does not bear a label containing all the particulars required by the relevant regulations enacted pursuant to the Food Act. The packing, storage and transportation of food (excluding fish and meat) must be conducted in such manner that it is protected from the likelihood of contamination, and the environmental conditions under which food is stored will not adversely affect the safety and suitability of the food. Any person who fails to comply with the Food Act and related regulations may be guilty of an offence and may be liable on conviction for monetary fines and/or custodial sentences. Our Singapore subsidiary, Japan Home (Retail) Pte. Ltd., sells food products such as biscuits, snacks, candy and other packaged food items at some of its stores, and therefore is required to comply with the Food Act.

Employment of Foreign Manpower Act (Chapter 91A) of Singapore

The availability and the employment cost of skilled and unskilled foreign workers are affected by the Singapore government's policies and regulations on the immigration and employment of foreign workers. The policies and regulations are set out in the Employment of Foreign Manpower Act (Chapter 91A) and the relevant Government Gazettes. The availability of foreign workers is regulated by the Ministry of Manpower through the following:

- approved source countries;
- issuance of work permits;
- the imposition of security bonds and levies; and
- set ratios for local to foreign workers.

An employer of foreign workers is also subject to the provisions set out in the Employment Act (Chapter 91), the Employment of Foreign Manpower Act (Chapter 91A), the Immigration Act (Chapter 133) and the Immigration Regulations.

Singapore Code of Advertising Practice

The Singapore Code of Advertising Practice ("SCAP") regulates local advertising activities and is administered by the Advertising Standards Authority of Singapore ("ASAS"). The SCAP has been endorsed by organisations representing advertisers, advertising agencies and media, and applies to all advertisements for any goods, services, and facilities appearing in any form, or any media.

The SCAP prescribes general principles applicable to all advertisements, and specific guidelines related to slimming products and services. The general principles include:

- decency – advertisements should not contain anything that is offensive to the standards of decency prevailing among those who are likely to be exposed to them;

- truthful presentation – advertisements should not mislead in any way by inaccuracy, ambiguity, exaggeration, omission or otherwise; and

- claims – advertisements should not misuse research results or quotations from technical and scientific publications.

The ASAS may require an advertiser to amend or withdraw any advertisement that contravenes the SCAP or withhold such advertisement until it has been modified. The ASAS may also publicise details of the outcome of investigations it undertakes, naming those advertisers who have violated the SCAP.

The ASAS is further empowered to request media owners to support the decisions of the ASAS, and to ask its members generally (including advertisers, advertising agencies, government agencies, media owners and other supporting organisations) to sanction parties which violate the SCAP, by, among others, the withdrawal of facilities, rights or services from parties concerned subject to legal constraints.

WEST MALAYSIA

Local Government Act 1976

This Act is applicable only to West Malaysia and purports to consolidate the laws relating to local government. Under the Local Government Act 1976, local government authorities in West Malaysia have the power to issue any by-laws enforceable within its jurisdiction, including business, trade and advertisement licences.

Licensing of Trades, Businesses and Industries (Federal Territory of Kuala Lumpur) 1986; Licensing of Premises for Trades, Businesses and Industries (Perbadanan Putrajaya) By-Laws 1999; Licensing of Trades, Businesses and Industries (Petaling Jaya City Council) By-Laws 2007; Licensing of Trades, Businesses and Industries (Klang Municipal Council) By-Laws 2007; Municipal Council Province Wellesley Licence Fees By-Laws 1980

Each store operated by JHC (Malaysia) is regulated by the by-laws of the state in which it is located, which prohibit any form of trade, business or industry as specified in the by-laws (which includes distributive trade) in any place or premises within the area of the municipal council unless a licence is issued under the relevant by-laws. Generally, the penalty for non-compliance with this requirement will be a fine of not exceeding MYR2,000 or imprisonment for a term not exceeding one year or both fine and imprisonment. A further fine, not to exceed two hundred ringgit MYR200 for every day during which the offence is continued after conviction, may be imposed by the municipal council.

Advertisement Licences – Municipal Council of Province Wellesley (Advertisement) By-Laws 2007; Advertisements (Federal Territory) By-Laws 1982; Advertisements (Federal Territory of Putrajaya) By-Laws 2002; Advertisement (Petaling Jaya City Council) By-Laws 2007; Advertisement (Klang Municipal Council) By-Laws 2007

Similar to the licensing of trades, business and industries, most states in West Malaysia have by-laws regulating advertisements. Under these advertisement by-laws, it is prohibited to exhibit or cause to be exhibited any advertisement except under and in accordance with a licence issued by the municipal council under the relevant by-laws. Upon conviction, a person shall be liable for a fine not exceeding MYR 2,000 or to imprisonment for a term not exceeding one year or to both.

Guidelines On Foreign Participation In The Distributive Trade Services Malaysia ("MDTCC Guidelines") issued by the Ministry Of Domestic Trade Co-operatives and Consumerism ("MDTCC")

Under these guidelines, all proposals for foreign involvement in distributive trade in Malaysia must obtain the prior approval of MDTCC. According to the MDTCC Guidelines, distributive traders include wholesalers, retailers, franchise practitioners, direct sellers, product manufacturers, suppliers who channel their goods in the domestic market and commission agents or other representatives including those of international trading companies. Accordingly, the activities of the Company fall within the ambit of the MDTCC Guidelines.

Under the MDTCC Guidelines, a company involved in distributive trade that has foreign shareholders may be required to follow certain hiring guidelines for their employees and utilise local facilities or companies for services relating to their businesses. Failure to comply with these guidelines could result in indirect sanctions by the MDTCC. For example, the MDTCC could persuade local authorities not to grant certain required licences or permits.

PRC

Guiding Catalogue of Foreign Investment

According to the Guiding Catalogue of Foreign Investment (as amended in 2011) (外商投資產業指導目錄(2011年修訂)) jointly promulgated by the Ministry of Commerce ("MOFCOM") and the National Development and Reform Commission, which became effective on 30 January 2012, foreign investments in various industries are classified into four categories: encouraged, permitted, restricted and prohibited categories. The sale of housewares products in the retail stores we currently operate in the PRC fall under the "permitted" category.

Regulations on Foreign Investment in Commercial Field

According to the Measures for Administration of Foreign Investment in Commercial Fields (外商投資商業領域管理辦法) issued by MOFCOM on 16 April 2004, foreign investment in commercial fields, including wholesale and retail, must comply with certain qualification requirements for registered capital, total investment and terms of operation. Foreign investors which intend to establish new foreign-invested commercial enterprises in the PRC, and foreign-invested commercial enterprises which intend to open new stores in the PRC, must apply with the provincial commerce authorities to establish foreign-invested commercial enterprises and open up new stores, respectively. The provincial commerce authorities review the application and report their assessment to MOFCOM for final approval.

On 12 September 2008, MOFCOM issued the Notice on Decentralization of the Approval Authority of Foreign-invested Commercial Enterprises (關於下放外商投資商業企業審批事項的通知), pursuant to which provincial commerce authorities were granted the authority to examine and approve the establishment of foreign-invested commercial enterprises, with the exception of certain regions which require MOFCOM approval.

Approvals and Licenses for Business Operation

Upon approval from the relevant provincial commerce authority, the applicant must register the company or the store with the local administration and industry for commerce and obtain the business license for the operating entity.

In addition, before business operations of the store commence, it must pass the fire safety inspection conducted by the fire prevention administration authority and obtain the relevant approval.

Laws on Product Quality

In accordance with the Product Quality Law of the PRC (中華人民共和國產品質量法), promulgated on 22 February 1993 and amended on 8 July 2000, a seller must undertake the responsibilities of (i) adopting a check-for-acceptance system for stock replenishment to examine the quality certificates and other labels of such stock; (ii) taking measures in keeping products for sale in good quality; (iii) not selling defective or deteriorated products or products which have been publicly banned from sale; (iv) selling products with labels that comply with the relevant provisions; (v) not forging the origin of a product, or falsely using the name and address of another producer; (vi) not forging or falsely using product quality marks such as authentication marks; and (vii) not mixing impurities or imitations into the products, replacing a genuine product with a fake one, or replacing a high-quality product with a defective one, or passing off a substandard product as a qualified one in the sale of products.

Any seller which violates the Product Quality Law may be subject to fines, suspension of its business operation or revocation of its business license. A seller which violates the Product Quality Law may also be subject to criminal liabilities. According to the Product Quality Law, a consumer or other victim who suffers injury or property losses arising from product defects may claim compensation from the manufacturer and/or the seller. Where the liability lies with the manufacturer, the seller, after settling compensation with the consumer, has the right to recover such compensation from the manufacturer.

Laws on Consumer Protection

The Consumer Protection Law of the PRC (中華人民共和國消費者權益保護法), promulgated on 31 October 1993 and implemented on 1 January 1994, sets out standards of behaviour for business operators in their dealings with consumers, including, among others, (i) compliance of goods and services with the Product Quality Law and other relevant laws and regulations, such as requirements regarding personal safety and protection of property; (ii) accurate information and advertising concerning goods and services and the quality and use of such goods and services; (iii) issuance of receipts to consumers in accordance with relevant national regulations, business practices or upon customer request; (iv) ensuring the actual quality and functionality of goods or services are consistent with advertising materials, product descriptions or samples; (v) assumption of the responsibilities related to repairing, replacing, returning or other liability in accordance with national regulations or any agreements with the consumer; and (vi) not stipulating unreasonable or unfair terms for consumers and not excluding themselves from civil liability to undermine the legal rights and interests of consumers.

Any seller which violates the Consumer Protection Law may be subject to fines, suspension of its business operations or revocation of its business license. A seller which violates the Consumer Protection law may also be subject to criminal liabilities. According to the Consumer Protection Law, a consumer whose legal rights and interests are harmed during the purchase or use of goods may claim compensation from the seller. Where the liability lies with the manufacturer or supplier, the seller, after settling compensation with the consumer, has the right to recover such compensation from that manufacturer or the other seller. Consumers or other parties who suffer injury or property losses arising from product defects may claim compensation from the manufacturer or the seller. Where the liability lies with the manufacturer, the seller, after compensating the consumer, has the right to recover such compensation from the manufacturer.

Regulations on Foreign Exchange

Pursuant to the Regulations on the Administration of Foreign Exchange (中華人民共和國外匯管理條例) promulgated in 1996 and amended in 2008 and various regulations issued by State Administration of Foreign Exchange ("SAFE") and other relevant PRC governmental authorities, the Renminbi is freely convertible only to the extent of current account items, such as trade-related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriation of investments, require the prior approval of SAFE or its local counterpart for conversion of Renminbi into a foreign currency, and remittance of the foreign currency out of the PRC.

MACAU

Business Operations

Before the commencement of business operations of a store, the operating entity must apply for the registration of the commercial establishment with the Macau Finance Bureau and obtain the respective business license.

Consumer Protection and Product Safety

Consumer Protection in Macau is regulated by the Consumer Protection Law (Law n.º 12/88/M, dated 13 June 1988) which determines that a consumer is anyone to whom products or services are furnished for their personal use by someone, an individual or a legal person, who professionally develops an economic activity.

Consumers in Macau have the right to protection and safety as related to product and service use; the right to accurate product instructions and information; the right to take action against anyone who sells goods and renders services which cause hazard to the economic interests/welfare of consumers; the right to safeguard from and compensation for damages caused; the right to receive fair treatment in the course of any consumer activity; and the right to participate in the implementation of policies which involve the rights or interests of consumers.

The Product Safety Regulation (Administrative Regulation n.º 17/2008, dated 7 July 2008) establishes general product safety guidelines and states that only products considered safe may be placed on the market.

Distributors may not knowingly distribute products which are not safe and must furnish all information on product risks to consumers. they must also withdraw unsafe products from the market and to present a sample of the product for safety testing whenever that is requested by the competent Macau authority.

Employment Regulations

The Macau Labour Relations Law (Law no. 7/2008, dated 5 August 2008) generally governs labour relations, including but not limited to general principles applicable to employment relationships, duties and obligations of the employer and the employee, probation period, employment contract requirements, employment contract for a fixed period, working hours, overtime, weekly time-off, annual leave, and compensation for contract termination without justifiable cause.

Non-residents of Macau are generally not permitted to work unless a proper work permit has been obtained. The employment of such workers is subject to strict regulations included in Law no. 21/2009, dated 27 October 2009, which sets forth the terms for granting and renewing work permits for non-resident workers, determines measures to ensure equal treatment of Macau resident and non-resident workers and establishes minimum contract terms and limits on the duration of employment contracts with non-resident employees.

OVERVIEW

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

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

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

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

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

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

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Number of Stores in Operation

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

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

	As at 30 April								As at the Latest Practicable Date
	2010	Net change	2011	Net change	2012	Net change	2013	Net change	
Our stores									
Hong Kong[(1)]	204	9	213	7	220	10	230	5	235
Singapore[(2)]	–	–	–	23	23	9	32	6	38
West Malaysia[(3)]	–	–	–	4	4	5	9	–	9
PRC[(4)]	–	–	–	5	5	2	7	(1)	6
Macau[(3)]	–	–	–	–	–	5	5	–	5
	204	9	213	39	252	31	283	10	293
Our licenced stores									
East Malaysia[(3)]	2	–	2	–	2	–	2	–	2
Saudi Arabia[(5)]	5	–	5	–	5	–	5	–	5
United Arab Emirates[(3)]	2	–	2	–	2	(2)	–	–	–
New Zealand[(3)]	–	1	1	–	1	–	1	–	1
Indonesia[(3)]	–	–	–	–	–	1	1	–	1
Cambodia[(3)]	–	–	–	–	–	–	–	1	1
Total	213	10	223	39	262	30	292	11	303

(1) These stores include Japan Home Centre, City Life and Epo Gifts & Stationery stores.

(2) These stores include Japan Home stores.

(3) These stores include Japan Home Centre stores.

(4) These stores include Living Plus stores.

(5) These stores include Japan Home Centre and Epo Gifts & Stationery stores.

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

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

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

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

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

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

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

We incur various costs and expenses prior to opening new stores. In addition, new stores generally require a period of time after opening to achieve target performance income. We opened 100 stores during the Track Record Period and 97 of these stores have achieved breakeven, or the point at which monthly gross profit is at least equal to monthly expenses, which include rental expenses, employee expenses and utility expenses, but exclude tax and

depreciation. On average, our stores generally achieve breakeven in less than two months. The following table sets forth a breakdown by region of the stores opened during the Track Record Period that had achieved breakeven and of our profitable stores as at 30 April 2013.

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

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

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

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

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

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

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

Comparable Store Sales

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

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

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

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

Average Spending Per Transaction

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

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

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

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

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

Product Mix

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

	Financial year ended 30 April					
Merchandise	2011		2012		2013	
	(HK$ thousands, except for percentages)					
Household electronics	199,298	20.3%	247,511	21.1%	301,591	20.7%
Housekeeping	188,143	19.2%	234,785	20.1%	284,453	19.5%
Plasticware	116,092	11.8%	131,791	11.3%	162,206	11.1%
Kitchenware	91,564	9.3%	109,052	9.3%	129,704	8.9%
Stationery	88,057	9.0%	101,955	8.7%	122,713	8.4%
DIY & hardware	58,388	6.0%	74,877	6.4%	104,174	7.2%
Interior and textile	72,400	7.4%	72,807	6.2%	88,987	6.1%
Personal & health	50,286	5.1%	70,954	6.1%	86,720	6.0%
Tableware	43,852	4.5%	53,167	4.5%	66,594	4.6%
Interior and small furniture	41,522	4.2%	38,909	3.3%	58,545	4.0%
Others	31,108	3.2%	34,841	3.0%	51,011	3.5%
Total	980,710	100.0%	1,170,649	100.0%	1,456,698	100.0%

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

Cost of Sales

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

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

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

Rental expenses

We rent all of the properties for our retail stores, warehouses and manufacturing facilities. The cost of leasing and maintaining these properties are reflected in our administrative and other operating expenses. Our rental expenses for our retail stores were HK$136.8 million, HK$161.2 million and HK$205.0 million for the financial years ended 30 April 2011, 2012 and 2013, respectively, which represented 13.5%, 13.3% and 13.7% of our revenue for the same years. In recent years, rental rates in the regions in which we have operations have increased overall. According to the Private Retail - Rental and Price Indices published by the Rating and Valuation Department of the Hong Kong Government in June 2013, the annual growth rate in respect of the retail rental index in Hong Kong was approximately 9% and 13% in 2011 and 2012,

respectively, while the quarterly growth rate in respect of such index in the first quarter of 2013 as compared to that in the same period of 2012 was approximately 12%. The revenue contributed by our new stores as well as our strong comparable store sales growth has helped us maintain stable rental expenses as a percentage of revenue. This stability is also due in part to our ability to pass on our increased costs to customers through strategic pricing of our merchandise.

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

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

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

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

Some of our retail store tenancy agreements provide for payment of a specified fixed rent under the tenancy agreement, and some tenancy agreements provide for payment of a "turnover rent" calculated based on the monthly revenue generated by that store in excess of the specified level, which may be in addition to or instead of a fixed rent. Our tenancy agreements in Hong Kong typically have an initial term of two or three years with generally a rent-free period not longer than one or two months for new tenancies.

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

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

Employee Benefit Expenses

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

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

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

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

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

Seasonality

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

CRITICAL ACCOUNTING POLICIES

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

Inventories

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

Property, Plant and Equipment

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

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

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

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

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

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

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

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

Revenue Recognition

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

Sale of goods

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

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

Licencing fees

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

Consignment sale commission, management fee and advertising and promotion income

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

Sub-leasing rental income

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

Interest income

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

Dividend income

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

DESCRIPTION OF SELECTED COMPONENTS OF OUR STATEMENTS OF COMPREHENSIVE INCOME

Revenue

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

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

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

Cost of Sales

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

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

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

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

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

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

	Financial year ended 30 April		
	2011	2012	2013
Private label	54.9%	55.4%	55.6%
Internationally sourced	53.6%	53.4%	54.7%
In-house manufactured	69.2%	65.3%	67.1%
Hong Kong sourced	31.7%	32.9%	34.1%

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

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

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

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

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

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

Other Income

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

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

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

Other Gains

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

Distribution and Advertising Expense

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

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

Administrative and Other Operating Expenses

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

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

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

Rental Expenses

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

Employee Benefit Expenses

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

Building Management Fees for Retail Stores

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

Depreciation Expenses

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

Utility Expenses

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

Finance Costs

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

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

Income Tax Expense

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

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

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

In January 2010, certain members of our Group were notified by the Hong Kong Inland Revenue Department (the "IRD") that they had been selected for a field audit. The IRD did not specify the reason for the selection. The tax returns, with our endorsement, were prepared by PricewaterhouseCoopers Limited and Russell Bedford Hong Kong Limited based on the information provided by us for the tax years 2003/04 to 2004/05 and the tax years 2005/06 to 2011/12 respectively. Our two tax representatives, both being professional accountants, prepared our tax returns based on their professional experience and knowledge, with

appropriate and reasonable bases under the circumstances. In January 2010, March 2011, March 2012 and March 2013, we received notices of additional profits tax assessments for the tax years 2003/04, 2004/05, 2005/06 and 2006/07, respectively. The aggregate amount of additional tax on these assessments is approximately HK$11.0 million. According to our tax representative, these assessments are protective assessments issued before expiry of the statutory limitation period, pending the result of the field audit. In these notices, the IRD did not state any specific calculation basis for arriving at the additional assessable profits or the additional tax amounts. The IRD commenced the field work in December 2012. As at the Latest Practicable Date, the IRD had not issued any notices of additional profits tax assessment for the tax years 2007/08 and onwards.

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

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

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

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

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

commencement of the IRD's field work, there are reasonable grounds for us to negotiate a downward adjustment of the penalty to around 30% of the tax undercharged. The IRD will consider the amount of the penalty to be imposed during its review of the settlement proposal and may adjust the percentage accordingly.

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

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

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

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

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

RESULTS OF OPERATIONS

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

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

* *less than 0.5%*

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

Revenue

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

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

Other Income

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

Other Gains

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

Distribution and Advertising Expenses

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

Administrative and Other Operating Expenses

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

Rental Expenses

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

Employee Benefit Expenses

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

Building Management Fees for Retail Stores

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

Depreciation Expenses

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

Utility Expenses

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

Finance Income

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

Finance Costs

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

Income Tax Expense

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

Profit for the Year Attributable to Equity Holders of the Company

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

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

Revenue

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

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

Other Income

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

Other Gains

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

Distribution and Advertising Expenses

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

Administrative and Other Operating Expenses

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

Rental Expenses

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

Employee Benefit Expenses

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

Building Management Fees for Retail Stores

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

Depreciation Expenses

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

Utility Expenses

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

Finance Income

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

Finance Costs

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

Income Tax Expense

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

Profit for the Year Attributable to Equity Holders of the Company

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

LIQUIDITY AND CAPITAL RESOURCES

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

Cash Flows

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

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

Net cash from operating activities

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

trade and other payables, net amounts due to related companies, net amounts due to directors, amounts due to a non-controlling shareholder and other financial assets at fair value through profit and loss.

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

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

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

Net cash used in investing activities

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

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

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

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

Net cash from/(used in) financing activities

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

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

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

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

Working Capital

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

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

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

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

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

in trade and other payables. The decrease in our net current assets from 30 April 2013 to 31 July 2013 was primarily due to an increase in dividend payable of HK$46.0 million.

Trade and Other Receivables

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

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

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

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

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

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

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

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

Inventories

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

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

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

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

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

Trade Payables

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

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

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

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

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

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

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

Other payables

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

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

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

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

Analysis of Financial Position

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

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

Property, plant and equipment

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

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

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

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

Intangible assets

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

Deferred income tax assets and liabilities

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

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

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

Non-current rental deposits

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

INDEBTEDNESS

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

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

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

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

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

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

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

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

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

Finance Lease

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

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

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

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

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

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

CAPITAL EXPENDITURES

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

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

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

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

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

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

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

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

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

OPERATING LEASES

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

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

CONTINGENT LIABILITIES

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

OFF-BALANCE SHEET ARRANGEMENTS

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

KEY FINANCIAL RATIOS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Gross Margin

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

Net Margin

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

Return on Equity

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

Return on Assets

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

Current Ratio

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

Quick Ratio

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

Inventory Turnover

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

Trade Receivable Turnover

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

Trade Payable Turnover

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

Gearing Ratio

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

Debt to Equity Ratio

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

Interest Coverage Ratio

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

INFLATION RISK

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

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

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

Credit Risk

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

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

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

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

Liquidity Risk

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

Interest Rate Risk

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

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

LISTING EXPENSES

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

DIVIDENDS AND DIVIDEND POLICY

Dividends

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

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

Dividend Policy

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

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

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

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

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

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

WORKING CAPITAL CONFIRMATION

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

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

DISTRIBUTABLE RESERVES

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

NO MATERIAL ADVERSE CHANGE

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

SUBSEQUENT EVENTS

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

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

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

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

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

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), Hiluleka, which is owned as to 50% by Mr. Lau and 50% by Ms. Ngai, will be beneficially interested in 45% of the issued share capital of our Company. Each of Hiluleka, Mr. Lau and Ms. Ngai will be regarded as a Controlling Shareholder under the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Apart from our Group's business, none of our Controlling Shareholders has any interest in, controls or conducts any business, which competes or is likely to compete, either directly or indirectly, with our Group's business.

Having considered the following factors, our Directors are satisfied that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective associates following the Listing.

Management independence

The Board comprises a total of eight Directors, with three executive Directors, two non-executive Directors and three independent non-executive Directors. Though two of our Controlling Shareholders (namely, Mr. Lau and Ms. Ngai) also act as our executive Directors, each of them is only entitled to one vote out of eight votes in the board meetings. Besides, the three independent non-executive Directors representing more than one-third of the Board, will ensure that the decisions of the Board are made after due consideration of independent and impartial opinions, the board structure is therefore in line with or better than current governance best practice in Hong Kong.

Each of our Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the relevant interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Our Group has an independent senior management team carrying out the business decisions of our Group independently and our Directors are satisfied that the senior management team is able to perform their roles in our Company independently.

Our Directors are therefore of the view that we are capable of managing our business independently from our Controlling Shareholders after the Global Offering.

Operational independence

Our Group has our own independent administrative and corporate governance structure comprised of separate individual departments, each with specific areas of responsibilities, including financial and accounting management, inventory management and development. We have also established various internal control procedures to facilitate the effective operation of our business.

Our Company makes business decisions independently and has sufficient capital, equipment and employees to operate our business independent from our Controlling Shareholders. We do not rely on our Controlling Shareholders for access to suppliers and customers, as we manage our sourcing independently and our customers are predominately members of the public, to whom we have independent access.

Based on the above, our Directors consider that our Group's business operation does not rely on our Controlling Shareholders and our Group can operate independently.

Financial independence

Our Group has an independent financial system and accounting team under the supervision of the financial controller of our Group so as to make independent financial decisions according to our own business needs.

Our Group's outstanding bank borrowings as at 31 July 2013 was HK$60.0 million. Our Group's bank borrowings were supported by personal guarantees provided by Mr. Lau and Ms. Ngai and mortgages over real properties owned by them. As at the Latest Practicable Date, our Group has obtained written consents in principle from the creditor banks that such personal guarantees and mortgages will be released if Listing occurs. Such consents mean that our Group can have independent access to third party financing and is able to obtain bank loans without reliance on our Controlling Shareholders.

Amounts due from our shareholders to our Group amounted to HK$1.6 million as at 31 July 2013. The balance of any outstanding amounts due from/to any of our shareholders will be settled in full before the Listing.

In the circumstances, our Directors believe that our Group is capable of carrying on our business without financial reliance on our Controlling Shareholders.

Corporate governance measures

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders:

(a) compliance with the Listing Rules, in particular, strictly observe any proposed transactions between us and connected persons and comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules where applicable;

(b) appointment of Somerley Limited as our compliance adviser to advise us on the compliance matters in respect of the Listing Rules and applicable laws and regulations;

(c) appointment of three independent non-executive Directors in order to achieve a balanced composition of executive and non-executive Directors in our Board. The independent non-executive Directors have the qualification, integrity, independence and experience to fulfil their roles effectively. Further details of our independent non-executive Directors are set out in the section headed "Directors and Senior Management".

NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders has confirmed that neither he/she/it nor any of his/her/its associates is currently interested, involved or engaged, or is likely to be interested, involved or engaged, directly or indirectly, in business, which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

Each of our Controlling Shareholders has entered into a deed of non-competition dated 10 September 2013 in favour of our Company (the "Deed of Non-Competition") to the effect that with effect from the Listing Date, severally, irrevocably and unconditionally has agreed and undertaken to our Company (for itself and for and on behalf of all members of the Group) that:

(a) each of them shall not and shall procure that none of his/her/its associates (other than the members of our Group), except through his/her/its/their interests in our Company, shall, directly or indirectly, carry on, participate in, engage, acquire or hold any right or interest in or otherwise be interested, involved or engaged in or concerned with, any business which is in any respect in competition with or similar to or likely to be in competition, directly or indirectly, with the existing business activity of any member of our Group and any business activities undertaken by the Group from time to time (the "Restricted Business") within Hong Kong, the PRC, Macau, Taiwan, Singapore, Malaysia and such other parts of the world where any member of our Group carries on business from time to time (the "Restricted Territories");

(b) each of them further jointly, severally, irrevocably and unconditionally agreed, undertook to our Company that, with effect from the Listing Date, in the event he/she/it and/or any of his/her/its associates is offered or becomes aware of any potential business investment or commercial opportunity directly or indirectly relating to the Restricted Business in any of the Restricted Territories, he/she/it:

    (i) shall promptly notify our Company in writing and direct such business opportunity to our Company for consideration and provide all information as may be reasonably required by our Company in order to make an informed assessment of the potential business investment or commercial opportunity; or

    (ii) shall not and shall procure that his/her/its associates shall not, invest or participate in any project or potential business investment or commercial opportunity unless (1) such project or potential business investment or commercial opportunity shall have been rejected by our Company in writing; (2) written approval is given by the independent non-executive Directors; and (3) the principal terms of which he/she/it or his/her/its associates invest or participate are no more favourable than those made available to our Company and such terms shall be fully disclosed to our Company prior to consummation of such rejected opportunities.

The above undertakings in this section do not apply to a Controlling Shareholder's ownership of shares (whether individually or collectively with his/her/its associates) in any company whose shares are listed on the Stock Exchange provided that such shares do not exceed 5% of such listed company's issued share capital.

The Deed of Non-Competition will cease to have effect on any of our Controlling Shareholders if (i) the day on which the Shares cease to be listed on the Stock Exchange; or (ii) the day on which our Controlling Shareholders cease to be interested in at least 30% of the entire issued share capital of our Company.

For the enforcement of the undertakings contained in the Deed of Non-Competition:

(a) our Company's independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders and/or their respective associates, or first rights of refusal provided by our Controlling Shareholders and/or their respective associates on their existing or future competing business;

(b) our Controlling Shareholders shall promptly provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition and provide to our Company a written confirmation relating to the compliance of the Deed of Non-Competition and make an annual declaration on compliance with the Deed of Non-Competition in the annual report of our Company; and

(c) our Company shall disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the undertakings and first right of refusal provided by our Controlling Shareholders either through the corporate governance report as set out in the annual report of our Company, or by way of announcements to the public.

CONTINUING CONNECTED TRANSACTIONS

During the Track Record Period, the Group entered into a number of transactions with entities which will be regarded as connected persons of the Company upon Listing and such transactions will constitute continuing connected transactions of the Company upon Listing under the Listing Rules. Details of these transactions are set out below.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Provision of the registered address of the Company's Hong Kong-incorporated subsidiaries for use by the companies controlled by Mr. Lau and Ms. Ngai as their registered address

For the years ended 30 April 2012 and 30 April 2013, the Company provided the registered address of its Hong Kong-incorporated subsidiaries, namely, 20/F., Tower B, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong (the "Office"), for use by Hong Sing Investment Limited ("Hong Sing") (which is wholly-owned by Ms. Ngai), Mulan's Garden (HK) Limited ("Mulan") and JHC Investment Limited ("JHC Investment") (both of which are owned as to 50% by Mr. Lau and 50% by Ms. Ngai) (collectively, the "CP Companies") as their registered address (the "**Address Services**"). In return, the Group received an annual fee in an aggregate amount of HK$40,000 from the CP Companies. Subsequent to the disposal of the Office by the Group to Hugo Grand Limited ("Hugo Grand") (which is wholly-owned by Ms. Ngai) in 27 August 2013, Hugo Grand had leased the Office to JHC (HK), therefore the Hong Kong-incorporated subsidiaries of the Company continued to use the address of the Office as their registered addresses and it is expected that the Group will continue to provide the Address Services to the CP Companies after the Listing.

Since Mr. Lau and Ms. Ngai are Directors, the CP Companies will become connected persons of the Company upon Listing under the Listing Rules. As such, the provision of the Address Services to CP Companies will constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules upon Listing.

The Directors consider that the provision of the Address Services to the CP Companies is conducted in the ordinary and usual course of business of the Group and is on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As the applicable percentage ratios in respect of the transactions under the Address Services are on an annual basis less than 0.1%, those transactions will be *de minimis transactions* upon Listing and will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.33(3) of the Listing Rules.

2. Rental payable to Schelly Resources

For the year ended 30 April 2013, JHC (Malaysia) rented two premises in Malaysia from Schelly Resources pursuant to two tenancy agreements (the "**Malaysia Tenancy Agreements**") for use as a warehouse (the "Malaysia Warehouse"). In return, Schelly Resources received from JHC (Malaysia) a monthly rent of MYR12,000 (equivalent to approximately HK$30,000) under each of the Malaysia Tenancy Agreements. It is expected that JHC (Malaysia) will continue to rent the Malaysia Warehouse after the Listing.

Since Schelly Resources is controlled by Mr. Lim Shek Han and Ms. Hon Siew Wein, both being past directors of JHC (Malaysia), it will become a connected person of the Company upon Listing under the Listing Rules. As such, the leasing of the Malaysia Warehouse by Schelly Resources to the Group under the Malaysia Tenancy Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon Listing.

The Directors consider that the leasing of the Malaysia Warehouses by Schelly Resources to the Group is conducted in the ordinary and usual course of business of the Group and is on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As one or more of the applicable percentage ratios in respect of the aggregate rental payable under the Malaysia Tenancy Agreements are on an annual basis more than 0.1% but less than 5% and the aggregate annual amount for such rental payments is less than HK$1,000,000, the transactions contemplated under the Malaysia Tenancy Agreement will be *de minimis transactions* upon Listing and will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.33(3) of the Listing Rules.

3. Consultancy remuneration and annual bonus payable to Mr. Chin

Pursuant to a shareholders' agreement dated 13 August 2013 (the "**Malaysia Shareholders Agreement**") entered into among JHC (Management), Mr. Lim, Mr. Chin Chain Yong ("**Mr. Chin**") and JHC (Malaysia), it is agreed among the parties that Mr. Chin shall receive a remuneration from JHC (Malaysia) for acting as its consultant at a monthly rate of MYR4,000 (equivalent to approximately HK$10,000) for two years commencing from the date of the Malaysia Shareholders Agreement (the "Consultancy Remuneration"). Further, it is also agreed among the parties that Mr. Chin shall be entitled to an annual cash bonus in the amount of MYR186,526 (equivalent to approximately HK$466,315) for a period of two years commencing from the financial year ending 30 April 2014 subject to the condition as set out in the Malaysia Shareholders Agreement (the "Annual Bonus").

Since Mr. Chin is a director and substantial shareholder of JHC (Singapore) and is a substantial shareholder of JHC (Malaysia), Mr. Chin will become a connected person of the Company upon Listing under the Listing Rules. As such, the payment of the Consultancy Remuneration and the Annual Bonus by JHC (Malaysia) to Mr. Chin will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon Listing.

The Directors consider that the payment of the Consultancy Remuneration and the Annual Bonus is conducted in the ordinary and usual course of business of the Group and is on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As one or more of the applicable percentage ratios in respect of the payment of the Consultancy Remuneration and the Annual Bonus are on an annual basis more than 0.1% but less than 5%, and the annual amount of such payment is less than HK$1,000,000, such transactions are considered to be *de minimis transactions* upon Listing and will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.33(3) of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Leasing of warehouse, office premises and retail stores to the Group

During the Track Record Period, certain companies controlled by Mr. Lau and/or Ms. Ngai have entered into tenancy agreements with a subsidiary of the Company, pursuant to which a warehouse, an office premises and several retail stores have been leased to JHC (HK). It is expected that the tenancies under those tenancy agreements will continue after the Listing.

(A) Tenancy agreements between JHC (HK) and companies wholly-owned by Ms. Ngai

As at Latest Practicable Date, JHC (HK), a subsidiary of the Company, has entered into 7 tenancy agreements with certain companies wholly-owned by Ms. Ngai to lease the premises stated below in accordance with the respective terms of the relevant tenancy agreements (the "**First Batch Tenancy Agreements**").

The following table summarizes the First Batch Tenancy Agreements between our Group and the companies wholly-owned by Ms. Ngai as at Latest Practicable Date:

	Landlord	Tenant	Location	Monthly rental	Term	Use
1	Hong Sing	JHC(HK)	Shop H, G/F, Luen Tak Apartments, No.45 Smithfield Road, Hong Kong	HK$20,000	3 years from 15 December 2010 to 14 December 2013	retail store
2	Hong Sing	JHC (HK)	No.9 Fui Sha Wai Lane, Tong Yan Sun Tsuen, Ping Shan, Yuen Long, Hong Kong	HK$500,000	3 years from 1 March 2011 to 28 February 2014	warehouse

	Landlord	Tenant	Location	Monthly rental	Term	Use
3	Hong Sing	JHC (HK)	Unit 15-16, 19/F, Tower B, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	HK$43,000	2 years from 20 July 2012 to 19 July 2014	office
4	Hong Sing	JHC (HK)	Shop on G/F & Cockloft, No.5A Playing Field Road, Kowloon, Hong Kong	HK$92,000	2 years from 22 December 2012 to 21 December 2014	retail store
5	Hugo Grand	JHC (HK)	Shops 10A & 10B, G/F, No. 2 Catchick Street, Sai Wan, Hong Kong	HK$100,000	3 years from 1 May 2012 to 30 April 2015	retail store
6	Independent Third Party (Hugo Grand subsequently became landlord in February 2013)	JHC (HK)	Flat A on G/F and Flats A, C and E on the Mezzanine Floor, Nam Tai Mansion, Nos. 50-68 Shui Wo Street, Kowloon	HK$118,000	3 years and 1 month from 1 February 2012 to 28 February 2015, which will be less than 3 years from the Listing Date up to 28 February 2015	retail store
7	Hugo Grand	JHC (HK)	20/F, Tower B, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	HK$150,000	2 years from 1 August 2013 to 31 July 2015	office

American Appraisal China Limited, the Company's independent property valuer, is of the opinion that the rents payable by the Group under each of the First Batch Tenancy Agreements are or are less than the prevailing market rents in Hong Kong and that the terms of the First Batch Tenancy Agreements are fair and reasonable to the Group.

Historical transaction amounts

For each of the three financial years of the Company ended 30 April 2013, the aggregate annual rental paid by the Group for renting the premises referred to in the First Batch Tenancy Agreements (including under the previously expired tenancy agreements with the same relevant landlords whereby the same premises were leased during the Track Record Period) are HK$350,000, HK$6,151,000, and HK$8,492,000, respectively.

First Batch Tenancy Framework Agreement

Our Group expects to enter into transactions of this nature following the Listing Date and in order to ensure that all tenancy transactions between (A) Ms. Ngai and/or her associates (as defined in the Listing Rules, which include companies directly or indirectly wholly-owned by Ms. Ngai), but excluding members of the LN Group (as defined below) (collectively, the "**Ms. Ngai Group**") and (B) members of the Group, comply with Rule 14A.35 of the Listing Rules, our Company entered into a tenancy framework agreement with Ms. Ngai (the "**First Batch Tenancy Framework Agreement**") on 27 August 2013 which will take effect from the Listing Date.

The First Batch Tenancy Framework Agreement stipulates that, among others, all tenancy transactions between members of the Ms. Ngai Group and members of our Group must be (i) in writing; (ii) in the usual and ordinary course of business of our Company; (iii) on normal commercial terms and based on the then prevailing market rates; (iv) fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (v) in compliance with all applicable provisions of, among others, the Listing Rules and the First Batch Tenancy Framework Agreement. The First Batch Tenancy Framework Agreement expires on 30 April 2016 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless it is terminated earlier by either party giving not less than 30 business days' written notice to the other party or otherwise pursuant to the said agreement.

Annual caps

In accordance with Rule 14A.35(2) of the Listing Rules, our Company has set annual caps for the maximum aggregate rental amount payable under the tenancy transactions between members of the Ms. Ngai Group and members of our Group pursuant to the First Batch Tenancy Framework Agreement for the years ending 30 April 2014, 2015 and 2016. It is anticipated that the aggregate annual value of rental payments made to Ms. Ngai Group by our Group for the years ending 30 April 2014, 2015 and 2016 will be approximately HK$11,744,120, HK$13,759,028 and HK$15,206,400, respectively.

The annual caps stated above were determined based on the annual rental payable by the Group under each of the First Batch Tenancy Agreements together with an estimated average rent increase in respect of any renewed tenancy agreements thereof, if any, up to 30 April 2016. Such an estimate was determined by the Company primarily by reference to factors such as the prevailing market rents at the time when entering into or renewing the leases and an estimated increment in the market rents. The Directors consider that the annual caps stated above are reasonably determined pursuant to Rule 14A.35(2) of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the First Batch Tenancy Framework Agreement (including the First Batch Tenancy Agreements) were entered into in the ordinary and usual course of business of the Group and are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Since Ms. Ngai is a Director and Controlling Shareholder, and that each member of the Ms. Ngai group (including but not limited to Hong Sing and Hugo Grand) is wholly-owned by Ms. Ngai, each member of the Ms. Ngai group (including but not limited to Hong Sing and Hugo Grand) will become connected persons of the Company upon Listing under the Listing Rules. As such, the transactions contemplated under the First Batch Tenancy Framework Agreement (including the First Batch Tenancy Agreements) will, upon Listing, constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since all of the counter-parties to the First Batch Tenancy Framework Agreement (including the First Batch Tenancy Agreements) are wholly-owned by Ms. Ngai, pursuant to Rule 14A.25 of the Listing Rules, the transactions contemplated under the First Batch Tenancy Framework Agreement (including the First Batch Tenancy Agreements) will be aggregated when calculating the applicable percentage ratios under Rule 14.07 of the Listing Rules.

Since one or more of the applicable percentage ratios in respect of the aggregated annual caps for the transactions contemplated under the First Batch Tenancy Framework Agreement (including the First Batch Tenancy Agreements) (including any renewals thereof) is/are, on an annual basis, more than 0.1% but are less than 5%, such transactions will, upon Listing, constitute continuing connected transactions of the Company and will be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, the annual review requirements set out in Rules 14A.37 to 14A.40, but will be exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(B) Tenancy agreements between JHC (HK) and companies owned by Mr. Lau and Ms. Ngai

As at Latest Practicable Date, JHC (HK), a subsidiary of the Company, has entered into 6 tenancy agreements with certain companies owned by Mr. Lau and Ms. Ngai to lease the premises stated below in accordance with the respective terms of the relevant tenancy agreements (the "**Second Batch Tenancy Agreements**").

The following table summarizes the Second Batch Tenancy Agreements between our Group and the companies owned by Mr. Lau and Ms. Ngai as at Latest Practicable Date:

	Landlord	Tenant	Location	Monthly rental	Term	Use
1	Independent Third Party (Mulan subsequently became the landlord in December 2010)	JHC (HK)	Shop on G/F & Cockloft, No.5 Playing Field Road, Kowloon, Hong Kong	HK$55,000	3 years from 16 September 2010 to 15 September 2013	retail store

	Landlord	Tenant	Location	Monthly rental	Term	Use
2	Mulan	JHC (HK)	Shop nos. 27A-31A, Basement of Mirador Mansion, No.58 Nathan Road, Kowloon, Hong Kong	HK$175,500	2 years from 1 July 2013 to 30 June 2015	retail store
3	Mulan	JHC (HK)	Shop 1, G/F, Southern Lodge, No. 364 Un Chau Street, Kowloon, Hong Kong	HK$102,000	2 years from 1 August 2012 to 31 July 2014	retail store
4	Mulan	JHC (HK)	G/F, 72A-C & 74A, To Kwa Wan Road, Kowloon, Hong Kong	HK$120,000	3 years from 16 March 2013 to 15 March 2016	retail store
5	Charm Rainbow	JHC (HK)	Shop A, G/F, Catic Plaza, No.8 Causeway Road, Hong Kong	HK$145,000	3 years from 1 October 2011 to 30 September 2014	retail store
6	JHC Investment	JHC (HK)	Shop A, G/F, Richsun Garden, No.51 Centre Street, Hong Kong	HK$58,000	2 years from 16 September 2012 to 15 September 2014	retail store

American Appraisal China Limited, the Company's independent property valuer, is of the opinion that the rents payable by the Group under each of the Second Batch Tenancy Agreements are or are less than the prevailing market rents in Hong Kong and that the terms of the Second Batch Tenancy Agreements are fair and reasonable to the Group.

Historical transaction amounts

For each of the three financial years of the Company ended 30 April 2013, the aggregate annual rental paid by the Group for renting the premises referred to in the Second Batch Tenancy Agreements (including under the previously expired tenancy agreements with the same relevant landlords whereby the same premises were leased during the Track Record Period) are HK$4,089,000, HK$5,706,000, HK$6,859,000, and respectively.

Second Batch Tenancy Framework Agreement

Our Group expects to enter into transactions of this nature following the Listing Date and in order to ensure that all tenancy transactions between (A) any company being (i) an associate of both Mr. Lau and Ms. Ngai and/or (ii) an associate of either Mr. Lau or Ms. Ngai in the equity capital of which both Mr. Lau (and/or his associates) and Ms. Ngai (and/or her associates) have a direct or indirect interest (collectively, the "**LN Group**") and (B) members of the Group, comply with Rule 14A.35 of the Listing Rules, our Company entered into a tenancy framework agreement with Mr. Lau and Ms. Ngai (the "**Second Batch Tenancy Framework Agreement**") on 27 August 2013 which will take effect from the Listing Date.

The Second Batch Tenancy Framework Agreement stipulates that, among others, all tenancy transactions between members of the LN Group and members of our Group must be (i) in writing; (ii) in the usual and ordinary course of business of our Company; (iii) on normal commercial terms and based on the then prevailing market rates; (iv) fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (v) in compliance with all applicable provisions of, among others, the Listing Rules and the Second Batch Tenancy Framework Agreement. The Second Batch Tenancy Framework Agreement expires on 30 April 2016 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless it is terminated earlier by any party giving not less than 30 business days' written notice to the other parties or otherwise pursuant to the said agreement.

Annual caps

In accordance with Rule 14A.35(2) of the Listing Rules, our Company has set annual caps for the maximum aggregate rental amount payable under the tenancy transactions between members of the LN Group and members of our Group pursuant to the Second Batch Tenancy Framework Agreement for the years ending 30 April 2014, 2015 and 2016. It is anticipated that the aggregate annual value of rental payments made to LN Group by our Group for the years ending 30 April 2014, 2015 and 2016 will be approximately HK$7,836,875, HK$8,607,750 and HK$9,626,250, respectively.

The annual caps stated above were determined based on the annual rental payable by the Group under each of the Second Batch Tenancy Agreements together with an estimated average rent increase in respect of any renewed tenancy agreements thereof, if any, up to 30 April 2016. Such an estimate was determined by the Company primarily by reference to factors such as the prevailing market rents at the time when entering into or renewing the leases and an estimated increment in the market rents. The Directors consider that the annual caps stated above are reasonably determined pursuant to Rule 14A.35(2) of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the Second Batch Tenancy Framework Agreement (including the Second Batch Tenancy Agreements) were entered into in the ordinary and usual course of business of the Group and are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Since Mr. Lau and Ms. Ngai are Directors and Controlling Shareholders, and that each member of the LN group (including but not limited to Mulan, Charm Rainbow and JHC Investment) is an associate of Mr. Lau and/or Ms. Ngai, each member of the LN group (including but not limited to Mulan, Charm Rainbow and JHC Investment) will also become connected persons of the Company upon Listing under the Listing Rules. As such, the transactions contemplated under the Second Batch Tenancy Framework Agreement (including the Second Batch Tenancy Agreements) will, upon Listing, constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since all of the counter-parties to the Second Batch Tenancy Framework Agreement (including the Second Batch Tenancy Agreements) are associates of Mr. Lau and/or Ms. Ngai, pursuant to Rule 14A.25 of the Listing Rules, the transactions contemplated under the Second Batch Tenancy Framework Agreement (including the Second Batch Tenancy Agreements) will be aggregated when calculating the applicable percentage ratios under Rule 14.07 of the Listing Rules.

Since one or more of the applicable percentage ratios in respect of the aggregated annual caps for the transactions contemplated under the Second Batch Tenancy Framework Agreement (including the Second Batch Tenancy Agreements) (including any renewals thereof) is/are, on an annual basis, more than 0.1% but are less than 5%, such transactions will, upon Listing, constitute continuing connected transactions of the Company and will be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, the annual review requirements set out in Rules 14A.37 to 14A.40, but will be exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Internal control measures relating to the leasing matters

Our Group will adopt the following strengthened internal control measures in connection with our Group's leasing matters involving Directors to avoid potential conflict of interests:

(i) any tenancy ("Target Tenancy") which will be leased by our Group from, wholly or partly, Mr. Lau, Ms. Ngai and/or any other Directors or their associates (the "Interested Director(s)") will be subject to a valuation being obtained from an independent valuer to assess whether the rental payable by the Group will not be higher than prevailing market rental and whether the terms of the tenancy are fair and reasonable to the Group;

(ii) to the extent that Ms. Ngai has a material interest in any possible Target Tenancy, Ms. Ngai will not be involved in the process of negotiating the tenancy agreement on behalf of our Group and the preparation work within the Group. Her other leasing team member(s) will report to the Board directly, which will be responsible for preparing information relating to store site selection for the Board's consideration. To facilitate the Board to make the final decision, the leasing team will seek market information, e.g., from independent real estate agents, and collect data such as prevailing market rental and other terms in respect of comparable properties located in areas around the Target Tenancy location and prepare market analysis for consideration by the Board; and

(iii) for each potential Target Tenancy, the rental and the tenancy will be subject to approval by the Board, which will consider the terms of the proposed transaction together with the valuation produced by the independent valuer and detailed bases provided by the Group's leasing team justifying the proposed store location, and each relevant Interested Director will declare his/her interests under the relevant tenancy and shall abstain from voting on the relevant Board resolution(s) approving the terms of the tenancy agreement (including rental).

APPLICATION FOR WAIVERS

The Directors (including the independent non-executive Directors) are of the opinion that each of the non-exempt continuing connected transactions, namely the transactions contemplated under each of the First Batch Tenancy Framework Agreement and the Second Batch Tenancy Framework Agreement and any renewals thereof (collectively referred to as "Non-exempt Continuing Connected Transactions") has been and will be conducted, and carried out, in the ordinary and usual course of business of the Group as well as on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) also consider that the relevant annual caps in respect of the Non-exempt Continuing Connected Transactions set out above are and will be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As the Non-exempt Continuing Connected Transactions are of an ongoing nature, the Directors consider that compliance with all the applicable requirements under Chapter 14A of the Listing Rules on each occasion such transactions arise would be impracticable and add unnecessary administrative costs to the Company. Accordingly, pursuant to Rule 14A.42(3) of the Listing Rules, the Company had applied for, and the Stock Exchange has granted the Company, a waiver from strict compliance with the announcement requirements under Chapter 14A of the Listing Rules in respect of the Non-exempt Continuing Connected Transactions.

Confirmation from the Sponsor

The Sponsor is of the view that the Non-exempt Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group as well as on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Sponsor is also of the view that the relevant annual caps in respect of the Non-exempt Continuing Connected Transactions set out above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

ARRANGEMENTS INVOLVING A CONNECTED PERSON

During the Track Record Period, JHC (Macau) operated several retail stores in Macau. At the time of negotiating the tenancy arrangements of two of these retail stores (the "**Macau Stores**"), Mr. Lau, our Director and Controlling Shareholder, acted as a conduit between the respective landlords of the Macau Stores (the "**Landlords**"), being Independent Third Parties, and JHC (Macau) in order to facilitate negotiation between them and entered into two tenancy agreements in his personal capacity with the Landlords respectively. The rents for the Macau Stores were paid to the respective Landlords out of JHC (Macau)'s own funds directly. Since there is no transaction between Mr. Lau on the one hand and JHC (Macau) on the other hand, such tenancy arrangements will not constitute transactions of the Company under Chapter 14A of the Listing Rules upon Listing.

DIRECTORS

Our Board of Directors currently consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. The following table sets forth information regarding our Directors.

Name	Age	Position	Date of Appointment
LAU Pak Fai Peter (劉栢輝)	56	Executive Director and Chairman	18 April 2013
NGAI Lai Ha (魏麗霞)	41	Executive Director and Vice-Chairman	18 April 2013
CHENG Sing Yuk (鄭聲旭)	55	Executive Director and financial controller	18 April 2013
CHUNG Tak Wai (鍾德偉)	36	Non-executive Director	18 April 2013
YEUNG Yiu Keung (楊耀强)	50	Non-executive Director	18 April 2013
TSUI Ka Yiu (徐家耀)	44	Independent non-executive Director	4 September 2013
LO Wing Yan William (盧永仁)	52	Independent non-executive Director	4 September 2013
HUANG Lester Garson (黃嘉純)	53	Independent non-executive Director	4 September 2013

Executive Directors

Mr. LAU Pak Fai Peter (劉栢輝) aged 56
Executive Director and Chairman

Mr. Lau was appointed as our executive Director and Chairman with effect from 18 April 2013, the date of incorporation of our Company and serves as the chief executive officer of our Group. He is the co-founder of our Company, and has been the managing director for our Group since 1991. Mr. Lau became our chief executive officer in 2010, after we entered into a strategic partnership with EQT Greater China II.

Mr. Lau was raised in Hong Kong and studied in Canada, where he earned his bachelor's degree in science from the Department of Applied Science of Queen's University at Kingston, Canada in May 1979. In 1981, Mr. Lau established a trading company in Hong Kong and was engaged in the housewares import and export business prior to opening the first Japan Home Centre store in 1991. Mr. Lau is primarily responsible for our Group's overall corporate strategies, management and business development.

Mr. Lau has guided the development and implementation of our business strategies, and has contributed significantly to our success throughout the years. He was among the first to introduce the "one price" store concept to Hong Kong, which established Japan Home Centre in a strong position in the Hong Kong housewares retail market. We continue to benefit from his years of experience and expertise in the housewares retail market.

In 1998, the City Junior Chamber honoured Mr. Lau's leadership and vision by presenting him with the "Innovative Entrepreneur of the Year" award. He has also been a guest speaker at various business functions held by media groups and government organisations, including the Hong Kong Trade Development Council and Trade and Industry Department.

During the three years immediately preceding the date of this prospectus, Mr. Lau has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

In January 2010, Mr. Lau was selected by the Inland Revenue Department ("IRD") for field audit in relation to the tax years 2003/04, 2004/05, 2005/06 and 2006/07, and additional assessments, which are protective in nature, were issued in view of the six-year statutory time-bar from raising assessments. Mr. Lau's tax adviser, Russell Bedford Hong Kong Limited, has advised that these protective assessments were made by the IRD to preserve its right to claim tax in respect of the period(s) of assessment that would otherwise expire under that statutory time-bar. In January 2010, March 2011, March 2012 and March 2013, Mr. Lau received notices of additional property tax and salaries tax assessments and the aggregate amount of additional tax on these additional assessments is approximately HK$2.2 million, with a maximum penalty of HK$6.6 million, representing the 300% statutory penalty rate, which is to be adjusted and settled subject to the result of the field audit procedures currently conducted by IRD. No specific calculation basis was provided by the IRD for determining these protective assessment amounts. Mr. Lau has raised notices of objection in response to these notices of assessment. The IRD commenced its field audit in November 2012, and as at the Latest Practicable Date, the IRD was conducting standard field audit procedures. No specific reason or basis was provided by the IRD for the selection of Mr. Lau for a field audit; however, according to Mr. Lau's tax adviser, when a private company is selected for a field audit, it is the IRD's practice to extend the field audit to the directors and shareholders of the selected company. Mr. Lau's tax adviser has advised that the selection of Mr. Lau does not imply any intentional tax underpayment or tax evasion. Prior to this field audit, Mr. Lau had not engaged any professional tax adviser. Because the additional assessments described above are issued to Mr. Lau in his personal capacity, are protective in nature and the maximum exposure amount is limited, we believe that this field audit would not have a material adverse impact on the Group. After reviewing Mr. Lau's tax returns and interviewing Mr. Lau, Mr. Lau's tax adviser has advised that as there are no criminal implications arising from this field audit and no under-reporting by Mr. Lau, no penalty other than the monetary penalty described above is expected to be imposed. Furthermore, although Mr. Lau's maximum exposure could amount to HK$8.8 million, Mr. Lau's tax adviser is of the view that the maximum penalty will not be imposed, based on its subsequent review of Mr. Lau's relevant tax filings and its discussions with Mr. Lau. Therefore, we believe that this field audit is not serious in nature and would not affect Mr. Lau's suitability as a Director.

Ms. NGAI Lai Ha (魏麗霞) aged 41
Executive Director and Vice-Chairman

Ms. Ngai was appointed as our executive Director with effect from 18 April 2013, the date of incorporation of our Company, and was appointed as Vice-Chairman with effect from 4 September 2013. Ms. Ngai is the co-founder of our Company. Since we opened our first store in 1991, Ms. Ngai has dedicated her efforts to developing our business, and has contributed significantly to our success throughout the years.

As a founder and a core member of our management, Ms. Ngai has played a crucial role in enhancing the efficiency of our daily operations, improving our financial performance and consolidating our market position in the Hong Kong housewares retail market. Leveraging the network and relationships that she has personally established since the founding of our Group, Ms. Ngai has helped set a solid foundation for us to further expand our business and to penetrate into new markets.

Ms. Ngai is the head of our leasing team, which is responsible for identifying suitable locations for our stores, negotiating tenancy agreements and monitoring our rental expenses. She is actively involved in the overall management, business development and overseeing the business operations and human resources of our Group.

Ms. Ngai is currently a member of the Nanjing Committee of the Chinese People's Political Consultative Conference, a council member of the Jiangsu Chinese Overseas Friendship Association, an executive committee member of The Professional Validation Centre of Hong Kong Business Sector, a director of Grateful Heart Charitable Foundation and Vice President of the Yau Tsim District, Scout Association of Hong Kong. Ms. Ngai graduated from the Open University of Hong Kong with a Bachelor of Business Administration degree in December 2002 through distance learning.

During the three years immediately preceding the date of this prospectus, Ms. Ngai has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Ms. Ngai has been selected for field audit by the IRD and in January 2010, March 2011, March 2012 and March 2013, she received notices of additional property tax, salaries tax and personal assessments with an aggregate amount of approximately HK$2.1 million additional tax on these additional assessments. These assessments are protective in nature and were issued in view of the six-year statutory time-bar from raising assessments. The aforesaid aggregate amount is to be adjusted and settled subject to the result of the field audit procedures currently conducted by IRD.

Mr. CHENG Sing Yuk (鄭聲旭) aged 55
Executive Director and financial controller

Mr. Cheng was appointed as our executive Director with effect from 18 April 2013, the date of incorporation of our Company. Mr. Cheng is the financial controller of our Group and is responsible for the accounting and finance matters of our Group.

Mr. Cheng has been a member of The Hong Kong Institute of Certified Public Accountants since March 1999 and a fellow member of the Association of Chartered Certified Accountants since November 2003. Mr. Cheng has over 20 years of accounting and finance experience. Prior to re-joining our Group in 2009, he worked in various industries including retail, wholesale and telecommunication.

Mr. Cheng worked for Swedish Motors Limited from 1982 to 1992, a vehicle distribution subsidiary of Ankor Group Limited, and was the financial controller of a number of principal subsidiaries of Ankor Group Limited from 1992 to 2000. He then worked as an accounting manager of Swire Resources Limited from 2001 to 2002.

Mr. Cheng was the accounting manager for our Group from 2003 to 2004. Mr. Cheng subsequently served as the financial controller of Max International Investment Limited, a wholly-owned subsidiary of ZipGlobal Holdings Inc, a company engaged in telecommunications and payment solutions business, from 2007 to 2008. From 2008 to 2009, Mr. Cheng provided finance and accounting services to Saint Land International Limited.

Mr. Cheng obtained a Diploma in Business Administration from the Hong Kong Shue Yan University (formerly Hong Kong Shue Yan College) in July 1982. Mr. Cheng subsequently obtained a Master degree in Accounting from the Curtin University of Technology in September 2004.

During the three years immediately preceding the date of this prospectus, Mr. Cheng has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. CHUNG Tak Wai (鍾德偉) aged 36
Non-executive Director

Mr. Chung was appointed as our Director with effect from 18 April 2013, the date of incorporation of our Company, and was re-designated as our non-executive Director with effect from 4 September 2013.

Mr. Chung is currently a partner at EQT Partners Asia Limited, which acts as investment adviser to certain general partners of the EQT branded funds, including the general partner of EQT Greater China II. Mr. Chung has over 10 years of experience in the investment banking and private equity industry. Before joining EQT Partners Asia Limited in February 2009, Mr. Chung worked with Lehman Brothers from September 2000 to May 2003 in New York and from September 2005 to November 2008 in Hong Kong, and with Neuberger Investment Management from November 2008 to January 2009.

Mr. Chung graduated from Wesleyan University with a Bachelor of Arts degree in Mathematics – Economics and Molecular Biology and Biochemistry in May 2000, and obtained a Master of Business Administration degree from the Tuck School of Business at Dartmouth College in June 2005.

During the three years immediately preceding the date of this prospectus, Mr. Chung has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. YEUNG Yiu Keung (楊耀强) aged 50
Non-executive Director

Mr. Yeung was appointed as our Director with effect from 18 April 2013, the date of incorporation of our Company, and was re-designated as our non-executive Director with effect from 4 September 2013.

Currently, Mr. Yeung is an industrial adviser contracted with EQT Funds Management Limited, serving as an adviser to certain general partners of the EQT branded funds in transactions and during EQT's ownership of portfolio companies. Mr. Yeung began his career at Price Waterhouse Hong Kong in 1986. He spent eight years with Price Waterhouse Company's Hong Kong, Chicago and Los Angeles offices before his departure in 1994 as a tax manager. Mr. Yeung has almost 20 years of experience in the consumer and retail industry. Between 1994 and 2007, he held various senior positions including the chief financial officer of PT Sarimelati Kencana, the franchisee of Pizza Hut in Indonesia. Pizza Hut Indonesia, the chief financial officer of Birdland Taiwan KFC and the managing director of Birdland (Hong Kong) Limited, a franchisee of Kentucky Fried Chicken for Hong Kong and Macau. He was the chief executive officer and principal operator of Birdland (Hong Kong) Limited until August 2007. Mr. Yeung was an independent non-executive director of China XiaoFeiYang Catering Chain Co., Ltd, from 2006 to 2007 and was the chief operating officer and an executive director of Little Sheep Group Limited from 2007 to 2009.

Mr. Yeung was a member of the American Institute of Certified Public Accountants. Mr. Yeung graduated from the College of Business Administration of the University of Oregon with a Bachelor of Science degree in March 1986. He obtained an Executive Master of Business Administration (Master of Management) degree jointly from the J.L. Kellogg Graduate School of Management of Northwestern University and the Hong Kong University of Science and Technology in November 2000.

During the three years immediately preceding the date of this prospectus, Mr. Yeung has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Independent non-executive Directors

Mr. TSUI Ka Yiu (徐家耀) aged 44
Independent non-executive Director

Mr. Tsui was appointed as our independent non-executive Director with effect from 4 September 2013.

Mr. Tsui is a member of the Hong Kong Institute of Certified Public Accountants from July 1995 and the Association of Chartered Certified Accountants from January 2000. He has also been a Certified FRM since April 2007 and a CFA® Charterholder since September 2008. Mr. Tsui is currently running his own consulting practice under the name of Dickson Consulting Service Limited to provide financial, management and information technology consulting services. He is also currently employed as a project manager in Vivo HK Limited. Before working on his own, Mr. Tsui had worked as auditor in Ernst & Young for five years, and also worked as internal audit manager, and financial controller in Electrolux China, a household and professional appliances manufacturer for five years.

Mr. Tsui graduated from the Hong Kong Baptist College with a Bachelor of Business Administration (Honours) degree in January 1992.

During the three years immediately preceding the date of this prospectus, Mr. Tsui has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Dr. LO Wing Yan William, J.P. (盧永仁) aged 52
Independent non-executive Director

Dr. Lo was appointed as our independent non-executive Director with effect from 4 September 2013.

Dr. Lo is currently the vice chairman of South China Media Group (SCM), one of the largest publication companies in Hong Kong on magazine publication and print media.

Dr. Lo serves as an independent non-executive director of SITC International Limited (SEHK:1308) and Varitronix International Limited (SEHK:710) and a non-executive director of South China Land Limited (SEHK: 8155), the shares of all of which are listed on the Hong Kong Stock Exchange. He is currently also an independent non-executive director of Nam Tai Electronics, Inc. (NYSE: NTE) the shares of which are listed on the New York Stock Exchange, LZYE Group PLC (LZYE: L), the shares of which are listed on the Alternative Investment Market

of the London Stock Exchange, and Westminster Travel Limited (SP: WTL), the shares of which are listed on the Singapore Stock Exchange.

Dr. Lo has held various senior positions with I.T Limited, China Unicom Limited and Citibank, N.A..

Dr. Lo graduated with a Master of Philosophy degree from the University of Cambridge in March 1986 and a Doctor of Philosophy degree from the University of Cambridge in March 1988. He was a Commonwealth Scholar and a bye-fellow of Downing College, University of Cambridge.

Dr. Lo is very active in the education sector in Hong Kong. He is a governor of the ISF Academy as well as the chairman of Junior Achievement Hong Kong.

In 1996, the renowned global organisation World Economic Forum selected Dr. Lo as a "Global Leader for Tomorrow".

Dr. Lo is a Justice of the Peace appointed by the Government of the Hong Kong Special Administrative Region. He is also a Committee Member of Shantou Municipal Committee of the Chinese People's Political Consultative Conference.

Mr. HUANG Lester Garson, J.P. (黃嘉純) aged 53
Independent non-executive Director

Mr. Huang was appointed as our independent non-executive Director with effect from 4 September 2013. Mr. Huang is a practising solicitor and notary public, and is currently a managing partner of P.C. Woo & Co., a solicitors' firm in Hong Kong.

Mr. Huang became a qualified solicitor of Hong Kong in March 1985 and has worked at P.C. Woo & Co. ever since. Mr. Huang graduated with a Bachelor of Laws from the University of Hong Kong in November 1982. He subsequently obtained a Diploma in Politics and Economics of China from Tsinghua University in May 2005, and a Master of Education from the Chinese University of Hong Kong in December 2006.

In 2002, the Government of the Hong Kong Special Administrative Region appointed Mr. Huang as a Justice of the Peace. He is currently also a Fellow of The Hong Kong Institute of Directors.

Mr. Huang is active in community affairs. Mr. Huang serves on several government boards, including the Hong Kong Monetary Authority's Exchange Fund Advisory Committee and the Hospital Authority. He was President of the Law Society of Hong Kong from 2007 to 2009.

During the three years immediately preceding the date of this prospectus, Mr. Huang has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

SENIOR MANAGEMENT

The following table sets forth information regarding members of our senior management. Our senior management members are responsible for the day-to-day management of our Group's business.

Unless otherwise stated below, none of the members of our senior management has been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Name	Age	Position	Date on which he/she joined/rejoined the Group
CHENG Mei Chun Ina (鄭美珍)	53	Chief Operating Officer	1 December 2011
TAM Siu Wan (譚少雲)	51	General Manager (Retail Operations)	1 December 2000
CHEUNG Wai Hung (張偉雄)	43	Senior Merchandising Manger	1 May 1997
MAN Siu Ling (文小玲)	56	Senior Merchandising Manager	1 June 2004
WONG Kin Man (黃健文)	40	Senior Manager (IT Department)	22 June 2005
CHENG Mei Lit (鄭美烈)	51	Head of Retail Operation (Singapore & Malaysia)	1 April 2008
YIP Yee Fan, Sandra (葉綺芬)	39	Senior Manager (Overseas Business Development Division)	7 March 2003
WONG Ho Ming (王浩明)	39	Senior Regional Logistics Manager	3 December 2012

Ms. CHENG Mei Chun Ina (鄭美珍) aged 53
Chief operating officer

Ms. Cheng is the chief operating officer of our Group and oversees the sales, marketing, sourcing, purchases, store operations, store renovation and logistics in Hong Kong and the PRC. She joined our Group in December 2011. Prior to that, Ms. Cheng had been the head of store operations and marketing and later the head of retail and marketing of Marks & Spencer since 2006.

Ms. Cheng has over 15 years of experience in general operations of retail businesses. Prior to joining our Group in December 2011, Ms. Cheng worked at United Artists Cinema Circuit, Ltd. as assistant theatre manager, theatre manager, assistant operations manager and operations manager respectively from 1989 to 1994. Ms. Cheng subsequently worked at Marks & Spencer in the roles of deputy administration manager, administration manager, finance manager, regional finance manager, regional manager, head of store operations from 1994 to 2006.

Ms. Cheng obtained a certificate in teaching from the Sir Robert Black College of Education in July 1986, certificate in teaching Putonghua from Department of Extramural Studies of The Chinese University of Hong Kong in July 1988 and certificate in school counselling and guidance from the Department of Extra-mural Studies of the University of Hong Kong in February 1988. Ms. Cheng also obtained a master's degree in Chinese literature from the New Asia Institute of Advanced Chinese Study in July 1987, and a master's degree in business administration from the University of Hong Kong in December 1999.

Ms. TAM Siu Wan (譚少雲) aged 51
General manager (Retail Operations)

Ms. Tam is the general manager of retail operations of our Hong Kong retail store operations and has been responsible for the day to day operations of our stores in Hong Kong since 2002.

Prior to joining our Group in December 2000, Ms. Tam had been a district manager at Nippon Warehouse Limited since 1997. She joined our Group in May 2000 when our Group acquired Nippon Warehouse Limited.

Mr. CHEUNG Wai Hung (張偉雄) aged 43
Senior merchandising manager

Mr. Cheung is the senior merchandising manager of our Group and is responsible for the sourcing and buying for our stores in Hong Kong, Singapore and the PRC. He joined our Group in May 1997.

Mr. Cheung had been the merchandising manager of our Group from 1997 to 2002 and senior merchandising manger since 2002.

Ms. MAN Siu Ling (文小玲) aged 56
Senior merchandising manager

Ms. Man is the senior merchandising manager of our Group and is responsible for our international sourcing and buying for our stores. She joined our Group in June 2004. Ms. Man has over 20 years of sourcing and buying experience.

Prior to joining our Group in June 2004, Ms. Man worked at UNY (HK) Co., Ltd. in the roles of assistant buyer of gift section, buyer of gift section, chief buyer of housewares section, assistant department manager of housewares daily necessity department and department manager of household division from 1986 to 2004.

Mr. WONG Kin Man (黃健文) aged 40
Senior manager (IT department)

Mr. Wong is the senior manager of the IT department of our Group and oversees the information technology systems of our Group. Mr. Wong joined our Group in June 2005. Mr. Wong has over 19 years of experience in information technology management and system development and support.

Prior to joining our Group in June 2005, Mr. Wong was a technical service administrator in Microware USA Limited from 1993 to 1995, assistant manager in ADL Computer System Limited from 1995 to 1996, assistant supervisor in the Macau Horse Racing Company Limited from 1996 to 1997, a customer service supervisor and a senior customer service supervisor in ACER Computer (Far East) Limited from 1997 to 2000, a system support manager in Infrasys (HK) Limited from 2000 to 2003 and the manager of the IT department in Winsor Hong Kong Limited from 2003 to 2005.

Mr. CHENG Mei Lit (鄭美烈) aged 51
Head of Retail Operation (Singapore and Malaysia)

Mr. Cheng is the head of operations in Singapore and Malaysia and oversees the daily operations of our stores in Singapore and West Malaysia.

Prior to joining our Group in April 1998, Mr. Cheng was a utilities salesperson and buyer in Wing On Department Stores from 1983 to 1998. Mr. Cheng joined our Group in April 1998 and was the utilities shop manager and subsequently assistant merchandising director from 1998 to 2003. Mr. Cheng subsequently worked as the operations director in Storage Unlimited from 2003 to 2006, and as the operation director of New Japan Trading Limited from 2006 to 2007. Mr. Cheng was the general manager of Homer Group Housewares Limited from 2007 to 2008. Mr. Cheng rejoined our Group on 1 April 2008 and was the senior operation manager from 2008 to 2011. Mr. Cheng has been the head of our retail operations in Singapore and West Malaysia since October 2011.

Ms. YIP Yee Fan Sandra (葉綺芬) aged 39
Senior manager (Overseas business development division)

Ms. Yip is the senior manager of the overseas business development division of our Group and oversees the franchise and export operations of our Group. Ms. Yip joined our Group in March 2003.

Prior to joining our Group in March 2003, Ms. Yip was an administrative officer in Pacific Rim Consulting Group from 1995 to 1996, a sales and administrative officer in Bold Gold International Co., Ltd. from 1996 to 1998 and an import and export executive in Heng Tat Furniture (China) Co., Ltd from 1998 to 2003.

Ms. Yip obtained a Bachelors of Arts degree in humanities from the Hong Kong Baptist University in November 1995.

Mr. WONG Ho Ming (王浩明) aged 39
Senior regional logistics manager

Mr. Wong is the senior regional logistics manager of our Group and is responsible for warehouse management and logistics. Mr. Wong joined our Group in December 2012. Mr. Wong has over 15 years of warehouse management and logistics experience.

Prior to joining our Group in December 2012, Mr. Wong was a logistics coordinator in Melitta Hong Kong Ltd. from 1997 to 1998. He then served as a booking coordinator in Zim Israel Navigation Co., Ltd. from 1998 to 1999. Mr. Wong was a logistics coordinator in Ultronics Enterprise Ltd. from 1999 to 2000. Mr. Wong subsequently worked at IKEA in the roles of transport supervisor, customer service and delivery in-charge, assistant warehouse and distribution manager, assistant operation manager and distribution manager from 2000 to 2007. Mr. Wong had also been the retail logistics manager of IKEA since 2007 before joining our Group.

Mr. Wong graduated from the Royal Melbourne Institute of Technology with a Bachelor of Business degree in transport and logistics management in August 2000 through distance learning. Mr. Wong is currently undertaking a Master of Science programme in global supply chain management at the Hong Kong Polytechnic University.

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

COMPANY SECRETARY

Our company secretary is Ms. Koo Ching Fan (顧菁芬), aged 43, Ms. Koo graduated from the University of Northumbria at Newcastle with a bachelor of arts degree in business administration in July 1994, the Hong Kong Polytechnic University with a master's degree in professional accounting in November 2002 and qualified as an associated member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators both in May 1998, U.K. and as a fellow member of the Association of Chartered Certified Accountants in September 2012. She is the joint secretary of Capinfo Company Limited (stock code: 1075) and has more than 15 years of work experience in company secretarial work.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee with written terms of reference in compliance with Rule 3.22 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practice as set out in Appendix 14 of the Listing Rules pursuant to a resolution of our Directors passed on 4 September 2013. The primary duties of our audit committee are to make recommendations to our Board on the appointment and removal of the external auditor, review the financial statements and material advice in respect of financial reporting and oversee the internal control procedures of our Company. At present, our audit committee comprises of Mr. Tsui Ka Yiu, Mr. Yeung Yiu Keung and Dr. Lo Wing Yan William. Mr. Tsui Ka Yiu is the chairman of the audit committee.

Remuneration committee

Our Company established a remuneration committee on 4 September 2013 with written terms of reference in compliance with Rule 3.26 of the Listing Rules and paragraph B1 of the Code on Corporate Governance Practice as set out in Appendix 14 of the Listing Rules. The functions of this committee include the formulation and the recommendation to the Board on our Company's policies and structures for the remuneration of all of our Directors and senior management of our Company, the establishment of a formal and transparent procedure for developing policy on remuneration, the determination of specific remuneration packages of all executive Directors and senior management in the manner specified in the terms of reference, the recommendation to the Board of the remuneration of non-executive Directors.

The remuneration committee comprises of Mr. Huang Lester Garson, Ms. Ngai Lai Ha, Mr. Chung Tak Wai, Dr. Lo Wing Yan William and Mr. Tsui Ka Yiu. Mr. Huang Lester Garson is the chairman of the remuneration committee.

Nomination committee

Our Company established a nomination committee on 4 September 2013 with written terms of reference in compliance with paragraph A5 of the Code on Corporate Governance Practice as set out in Appendix 14 of the Listing Rules. The primary functions of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board. The nomination committee comprises of Mr. Lau Pak Fai Peter, Mr. Chung Tak Wai, Mr. Tsui Ka Yiu, Mr. Huang Lester Garson and Dr. Lo Wing Yan William. Mr. Lau Pak Fai Peter is the chairman of the nomination committee.

CORPORATE GOVERNANCE

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole. To accomplish this, we will comply with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules after the Listing.

COMPLIANCE ADVISER

Our Company has appointed Somerley Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company in the following circumstances:

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

(ii) where a transaction, which might be of a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchase;

(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 the business activities, developments or results of operation of our Group deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Stock Exchange makes an enquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of appointment our compliance adviser shall commence on the Listing Date and end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration (including fees, salaries, housing allowances, contributions to pension schemes, discretionary bonuses and other allowances and benefits in kind) paid by our Group to our Directors were HK$4.3 million, HK$4.6 million and HK$5.0 million, for the three financial years ended 30 April 2011, 2012 and 2013, respectively.

The aggregate amount of remuneration (including fees, salaries, housing allowances, contributions to pension schemes, discretionary bonuses and other allowances and benefits in kind) paid by our Group to our five highest-paid individuals were HK$1.3 million, HK$1.6 million and HK$2.7 million, for the three financial years ended 30 April 2011, 2012 and 2013, respectively.

Save as disclosed above, no other payments have been paid or are payable by our Company or any of our subsidiaries to our Directors and the five highest paid individuals for each of the three financial years ended 30 April 2011, 2012 and 2013.

Under the arrangements currently in force, we estimate the aggregate remuneration of the Directors payable in respect of the financial year ending 30 April 2014 to be approximately HK$6.0 million.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. For details of the Share Option Scheme, please refer to the section headed "Statutory and General Information - 14. Share Option Scheme" in Appendix IV to this prospectus.

PRE-IPO SHARE OPTION SCHEME

A share option scheme was adopted in 2010 by Matusadona to incentivize our employees, which will be terminated by Matsuadona immediately prior to completion of the Global Offering and all participants will be transferred to the Pre-IPO Share Option Scheme. For details of the Pre-IPO Share Option Scheme, please see "Appendix IV – Statutory and General Information – 15. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus.

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account the exercise of any options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:–

Name of Shareholder	Nature of Interest and capacity	Number of Shares	Approximate percentage of shareholding
Hiluleka	Beneficial owner	324,000,000	45%
Mr. Lau *(Note 1)*	Interest in a controlled corporation	324,000,000	45%
Ms. Ngai *(Note 2)*	Interest in a controlled corporation	324,000,000	45%
Red Home *(Note 3)*	Beneficial owner	180,000,000	25%
Home Holding Guernsey Limited ("Home Holding") *(Note 3)*	Interest in a controlled corporation	180,000,000	25%
EQT Greater China II *(Note 3)*	Interest in a controlled corporation	180,000,000	25%

Note 1: As Mr. Lau controls more than one-third of the voting power in general meetings of Hiluleka, he is deemed to be interested in 324,000,000 Shares which will be beneficially owned by Hiluleka upon the Listing.

Note 2: As Ms. Ngai controls more than one-third of the voting power in general meetings of Hiluleka, she is deemed to be interested in 324,000,000 Shares which will be beneficially owned by Hiluleka upon the Listing.

Note 3: Since EQT Greater China II holds 100% interest in Home Holding, which in turn holds more than one-third of the voting power in general meetings of Red Home, therefore each of EQT Greater China II and Home Holding is deemed to be interested in 25% of the issued share capital of our Company immediately upon completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be sold by Red Home pursuant to the exercise of the Over-Allotment Option and the Shares to be issued upon any options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme).

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be sold by Red Home pursuant to the exercise of the Over-Allotment Option and the Shares to be issued upon any options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

The following is a description of the authorised share capital and share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following completion of the Global Offering and the Capitalisation Issue:

Authorised share capital:		*HK$*
10,000,000,000	Shares	1,000,000,000

The share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue will be as follows (without taking into account the Shares which may be issued and allotted upon the exercise of the options granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme):

Shares issued and to be issued, fully-paid or credited as fully-paid:		*HK$*
10,000,000	Shares in issue at the date of this prospectus	1,000,000
530,000,000	Shares to be issued pursuant to the Capitalisation Issue	53,000,000
180,000,000	Shares to be issued pursuant to the Global Offering	18,000,000
720,000,000	Shares	72,000,000

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering and the Capitalisation Issue are made. It does not take into account of any Shares that may be issued and allotted pursuant to the exercise of any options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme or any Shares which may be issued and allotted or repurchased by our Company under the general mandates referred to below.

RANKING

The Offer Shares will rank *pari passu* in all respects with all other Shares in issue or to be issued as mentioned in this prospectus, and in particular, will be entitled to all dividends or other distributions declared, made or paid after the date of this prospectus.

SHARE OPTIONS

Our Company has conditionally adopted the Pre-IPO Share Option Scheme on 4 September 2013 and the Share Option Scheme on 4 September 2013. The principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme are summarised in the paragraphs headed "Other information – 15. Pre-IPO Share Option Scheme" and "Other information – 14. Share Option Scheme" in Appendix IV to this prospectus respectively.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate (the "Issuing Mandate") to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

(a) 20% of the aggregate nominal value of the share capital of our Company in issue (excluding any Shares which may be allotted and issued pursuant to the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme) immediately following completion of the Global Offering and the Capitalisation Issue; and

(b) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the mandate referred to in the paragraph headed "Share capital – General mandate to repurchase Shares" below.

Our Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal with the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription or conversion rights attaching to any warrants of our Company, scrip dividends scheme or similar arrangements, the grant of options under the Pre-IPO Share Option Scheme and the Share Option Scheme or the exercise of any options that have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

The Issuing Mandate will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting; or

(b) the expiration of the period within which our Company is required by applicable laws or its Articles to hold its next annual general meeting; or

(c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of the Issuing Mandate, please refer to the paragraph headed "Further information about our Group" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted the Repurchase Mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be issued and allotted pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme).

The Repurchase Mandate only relates to repurchases made on the Stock Exchange and/or any other stock exchange(s) on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant requirements under the Listing Rules is set out in the paragraph headed "Further information about our Group" in Appendix IV to this prospectus.

The Repurchase Mandate will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting; or

(b) the expiration of the period within which our Company is required by applicable laws or its Articles to hold its next annual general meeting; or

(c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of the Repurchase Mandate, please refer to the paragraph headed "Further information about our Group" in Appendix IV to this prospectus.

We currently estimate that our Offer Price will not be more than HK$2.81 per Offer Share and not less than HK$2.22 per Offer Share. Assuming an Offer Price of HK$2.52 per Offer Share, which represents the mid-point of the indicative Offer Price range, we estimate that the proceeds receivable by our Company from the Global Offering, after deducting underwriting fees and commissions and other estimated expenses paid and payable by the Company in the aggregate amount of HK$42.1 million paid and payable by us, will total approximately HK$411.5 million.

We intend to use such net proceeds for the following purposes:

- approximately HK$215.6 million, or approximately 52.4% of such net proceeds, will be used to fund our 200 new store openings in Hong Kong and other jurisdictions in the three financial years ending 30 April 2016. We expect the total capital expenditures for opening these new stores to total approximately HK$95.4 million, and we will use the excess amount from this portion of the net proceeds to finance the purchase of additional inventories and the payment of rental deposits for these new stores;

- approximately HK$39.1 million, or approximately 9.5% of such net proceeds, will be used for the ongoing renovation of our existing stores in Hong Kong and Singapore. We expect the total capital expenditures for these renovations to total approximately HK$47.4 million, and we will finance the shortfall from our internally generated funds;

- approximately HK$82.7 million, or approximately 20.1% of such net proceeds, will be used to improve our logistics and warehousing, including the rental of an additional warehouse in Hong Kong and the rental of property for, and construction of, a warehouse in Guangzhou. We expect the total capital expenditures for these improvements, which include rental expenses, construction costs and the costs to purchase shelves and other furnishings or equipment, to total approximately HK$100.0 million, and we will finance the shortfall from our internally generated funds;

- approximately HK$32.9 million, or approximately 8.0% of such net proceeds, will be used to improve and upgrade our information technology systems; and

- the remaining amount of approximately HK$41.2 million, or approximately 10.0% of such net proceeds, will be used for working capital and other general corporate purposes.

The applications of the net proceeds as stated above are only current estimates and are subject to changes based on prevailing economic, market and business conditions.

To the extent that the above net proceeds of the Global Offering are not immediately applied to the above purposes, we intend to deposit the proceeds with licenced commercial banks or financial institutions in Hong Kong. We expect to utilise net proceeds receivable by our Company from the Global Offering to finance the above purposes. However, to the extent that such net proceeds are unable to fully finance the above purposes, we will use our internal working capital.

In the event that the Offer Price is set at the high end of the proposed Offer Price range, we estimate that our Company will receive net proceeds of approximately HK$462.2 million. The additional net proceeds of approximately HK$50.6 million will be allocated to the above purposes on a pro rata basis.

In the event that the Offer Price is set at the low end of the proposed Offer Price range, we estimate that our Company will receive net proceeds of approximately HK$359.2 million. Under such circumstances, the net proceeds allocated to the working capital and other general corporate purposes above will be reduced on a pro rata basis.

We estimate that the Selling Shareholder will receive net proceeds of approximately HK$88.0 million (in the event the Over-Allotment Option is not exercised) or approximately HK$167.2 million (in the event that Over-Allotment Option is exercised in full), assuming an Offer Price of HK$2.52 per Offer Share which represents the mid-point of the indicative Offer Price range, and after deduction of underwriting fees and commissions and other estimated expenses payable by the Selling Shareholder in relation to the Global Offering. We will not receive any of the net proceeds of the Global Offering from the sale of the Sale Shares by the Selling Shareholder.

As the Over-Allotment Option is granted by the Selling Shareholder, and not our Company, our Company will not receive any proceeds from any exercise of the Over-Allotment Option.

THE CORNERSTONE PLACING

We and the Sole Global Coordinator have entered into a cornerstone investment agreement with LIM Asia Special Situations Master Fund Limited (the "Cornerstone Investor"), pursuant to which the Cornerstone Investor has agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be acquired for an aggregate amount of US$8 million (the "Cornerstone Placing"). Assuming an Offer Price of HK$2.52 (being the mid-point of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investor (rounded down to the nearest whole board lot of 1,000 Shares) would be 24,619,000 Offer Shares, representing approximately 11.4% of the total Offer Shares initially available under the Global Offering and approximately 3.42% of the enlarged issued share capital of the Company immediately following the completion of the Global Offering and the Capitalisation Issue, without taking into account Shares issuable upon exercise of any options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.

THE CORNERSTONE INVESTOR

The Cornerstone Investor is a collective investment vehicle with an investment objective of generating risk-adjusted returns through various investments issued by or related to Asian issuers or companies that have the majority of their assets or business based in or derived from Asia. The Cornerstone Investor and its manager, Long Investment Management International Limited, are incorporated in the British Virgin Islands. Long Investment Management International Limited delegates day-to-day investment of the Cornerstone Investor to LIM Advisors Limited, a company incorporated in Hong Kong and licensed to conduct Type 9 (asset management) regulated activities under the SFO.

The Cornerstone Investor is an Independent Third Party and is not our connected person, and is not an existing shareholder of our Company. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allocation results announcement to be issued by our Company on or around 24 September 2013.

The Cornerstone Placing forms part of the International Placing. The Offer Shares to be subscribed for by the Cornerstone Investor will rank pari passu in all respects with the other fully paid Shares in issue and will be counted towards the public float of our Company. Immediately following the completion of the Global Offering and the Capitalisation Issue, the Cornerstone Investor will not have any board representation in our Company, nor will the Cornerstone Investor become our substantial shareholder. The Offer Shares to be subscribed for by the Cornerstone Investor will not be affected by any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering described in "Structure of the Global Offering – The Hong Kong Public Offering", nor by any exercise of the Over-Allotment Option.

CONDITIONS PRECEDENT

Completion of the Cornerstone Placing is subject to, among other things, the following conditions precedent:

(a) the Company and the Sole Global Coordinator and other parties entering into the underwriting agreement for the Hong Kong Public Offering and the underwriting agreement for the International Placing;

(b) each of such underwriting agreements having become effective and unconditional and not having been terminated by the time and date as specified in those underwriting agreements (in accordance with their respective original terms or as subsequently varied by agreement of the relevant parties); and

(c) the Listing Committee having granted the approval for the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTOR

The Cornerstone Investor covenants with and undertakes to each of the Company and the Sole Global Coordinator that unless it has obtained the prior written consent of each of the Company and the Sole Global Coordinator, the Cornerstone Investor will not at any time during a period of six months starting from the Listing Date dispose of any legal and beneficial interest in the Shares subscribed for by it under the Cornerstone Placing and any shares or other securities of the Company which are derived from such Shares.

SOLE GLOBAL COORDINATOR, SOLE BOOKRUNNER AND SOLE LEAD MANAGER

BOCI Asia Limited

HONG KONG UNDERWRITER

BOCI Asia Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 21,600,000 Hong Kong 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 the Listing Committee granting the listing on the Main Board of, and permission to deal on the Main Board in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and Global Offering (including Shares issuable upon exercise of options which have been granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme), and certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriter has agreed to subscribe or procure subscribers for the Hong Kong Public Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among others, the International Placing Agreement having been signed and becoming unconditional.

The Hong Kong Underwriting Agreement is also subject to, among others, the Offer Price having been agreed between us, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters). For applicants applying under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. If, for any reason, the Offer Price is not agreed between us, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed.

Termination

The obligations of the Hong Kong Underwriter under the Hong Kong Underwriting Agreement are subject to termination with immediate effect by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) by notice in writing to our Company prior to 8:00 a.m. (Hong Kong time) on the Listing Date if any of the following events occurs prior to such time:

(a) there develops, occurs, exists or comes into effect:

(i) any event, or series of events, in the nature of force majeure (including, without limitation, epidemics, pandemics, outbreaks of diseases (including, without limitation, Severe Acute Respiratory Syndrome (**SARS**), Influenza A (**H5N1**) or swine or avian influenza (**H7N9**) or such related/mutated forms), fire, explosion,

flooding, tsunami, earthquake, volcano eruption, ice-storm, calamity, crisis, civil commotion, strikes, lock-outs, riot, public disorder, economic sanction, acts of government, declaration of a national or international emergency or war, outbreak or escalation of hostilities (whether or not war is declared), acts of war, acts of terrorism (whether or not responsibility has been claimed) or acts of God) in or affecting Hong Kong, Singapore, West Malaysia, the PRC, Macau, the United States (or any state thereof), the United Kingdom, the European Union (or any member thereof), Japan or any other jurisdiction in which any member of our Group conducts business (each a "Relevant Jurisdiction"); or

(ii) any change or development involving a prospective change, or any event or series of events likely to result in any change, or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency credit or market conditions (including, without limitation, any conditions affecting stock and bond markets, money and foreign exchange markets, investment markets and credit markets) in or affecting any Relevant Jurisdiction; or

(iii) any moratorium, suspension or restriction on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ National Markets, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or a devaluation of the HK$ or the RMB against any foreign currencies; or

(iv) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of our Company or of any other members of our Group listed or quoted on a stock exchange or an over-the-counter market; or

(v) any general moratorium on commercial banking activities in any Relevant Jurisdiction imposed by any competent governmental authority or any material disruption in commercial banking, foreign exchange trading or securities settlement or clearance services in those places; or

(vi) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

(vii) a change or development involving a prospective change in taxes or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the HK$ or the RMB against any foreign currencies), or the implementation of any exchange control in any Relevant Jurisdiction, in each case adversely affecting an investment in the Shares; or

(viii) any litigation, legal action, claim or legal proceeding of any third party being threatened or instigated against any member of our Group which is not disclosed or referred to in the section headed "Business – Legal Proceedings" of this prospectus; or

(ix) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(x) the Chairman or chief executive officer of our Company vacating his office; or

(xi) a contravention by any member of our Group of the Listing Rules or applicable laws which is not disclosed or referred to in the section headed "Business - Regulatory Compliance" of this prospectus; or

(xii) a prohibition on our Company and/or the Selling Shareholder for whatever reason from allotting, issuing or selling, as the case may be, any of the Offer Shares pursuant to the terms of the Global Offering; or

(xiii) a non-compliance of this prospectus and/or any of the Application Forms or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xiv) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole opinion of the Sole Global Coordinator (1) has or will have or is likely to have a material adverse effect on the business, results of operations, financial or other condition or prospects of our Group as a whole, or (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing, or (3) makes it or will make it or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering, or (4) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Sole Global Coordinator after the date of the Hong Kong Underwriting Agreement:

(i) that any statement contained in this prospectus and/or any of the Application Forms and/or any announcement or advertisement issued by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, incomplete or misleading in any material respects, or that any forecast, expression of opinion, intention or expectation expressed in the web proof information pack, this prospectus and any of the Application Forms, and/or any announcements or advertisements issued by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was made, not honestly made in any respect; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a misstatement in a material respect in any of the offering documents issued, given or used in connection with the Global Offering or constitute a material omission therefrom; or

(iii) any material breach of any of the obligations of our Company, the Controlling Shareholders or the Selling Shareholder or any of them under the Hong Kong Underwriting Agreement; or

(iv) any event, act or omission which gives or is likely to give rise to any material liability of our Company or the Controlling Shareholders or any of them pursuant to the indemnities provided by each of our Company and the Controlling Shareholders under the Hong Kong Underwriting Agreement; or

(v) any material adverse change or development involving a prospective material adverse change in the assets, liabilities, conditions, business affairs, prospects, profits, losses, results of operations or financial or trading position or performance of our Group as a whole; or

(vi) any breach of, or any event rendering untrue or incorrect or incomplete or misleading, any of the warranties given by our Company, the Controlling Shareholders and/or the Selling Shareholder under the Hong Kong Underwriting Agreement; or

(vii) our Company withdraws the prospectus (or any other documents used in connection with the contemplated offer of the Shares) or the Global Offering; or

(viii) any expert whose consent is required for the issue of this prospectus with inclusion of its reports and/or letters, as the case may be, and references to its name in the form and context in which they appear has withdrawn its consent to the issue of this prospectus.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not, at any time within six months from the Listing Date, issue any Shares or other securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement or arrangement to issue any Shares or such other securities (whether or not such issue of Shares or such other securities will be completed within six months from the Listing Date), except pursuant to the Global Offering (including pursuant to the exercise of the options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme) or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

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

(a) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a Controlling Shareholder of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to our Company that, within the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Stock Exchange, it will:

(i) when it pledges or charges any Shares beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) when it receives indications, either verbal or written, from the pledgee or chargee any Shares that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

We have undertaken to each of the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriter that, except pursuant to the Global Offering, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is six months after the Listing Date (the "**First Six-Month Period**"), we will not, and will procure that the subsidiaries of our Company will not, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriter) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any

option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable);

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable);

(c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) and (b) above; or

(d) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of the Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not such issue of the Shares or securities will be completed within such period), provided that the foregoing restrictions shall not apply to (i) the issue of Shares by the Company pursuant to the Reorganisation, the Capitalisation Issue and the Global Offering or (ii) the grant by the Company of any options, and the issue by the Company of Shares pursuant to the exercise of any options granted, under the Pre-IPO Share Option Scheme and the Share Option Scheme. 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**"), our Company 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. The Controlling Shareholders undertake to each of the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters to procure the Company to comply with the undertakings set out above.

Undertakings by our Controlling Shareholders

Each Controlling Shareholder has undertaken to each of our Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriter that, save as pursuant to the Stock Borrowing Agreement, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriter) and unless in compliance with the requirements of the Listing Rules, it will not and, will procure that none of its affiliates will:

(a) during the First Six-Month Period: (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable); or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or (iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (i) or (ii) above; or (iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraph (i), (ii) or (iii) above, in each case, whether any of the transactions specified in sub-paragraph (i), (ii) or (iii) above is to be settled by delivery of the Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(b) during the Second Six-Month Period, enter into any of the transactions specified in sub-paragraph (i), (ii) or (iii) in paragraph (a) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a Controlling Shareholder of our Company, and

until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in sub-paragraph (i), (ii) or (iii) in paragraph (a) above or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Undertakings by the Selling Shareholder

The Selling Shareholder has undertaken to each of the Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriter that, except pursuant to the Global Offering (including pursuant to any exercise of the Over-Allotment Option), without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriter) and unless in compliance with the requirements of the Listing Rules, it will not and, will procure that none of its affiliates will, during the First Six-Month

Period: (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable); or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares or any other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of the Shares or such other securities of the Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period).

International Placing

In connection with the International Placing, it is expected that our Company and the Selling Shareholder, among others, will enter into the International Placing Agreement with the International Underwriter. Under the International Placing Agreement, the International Underwriter will, subject to certain conditions set out therein, agree to procure subscribers or purchasers for the International Placing Shares, failing which it agrees to subscribe for or purchase the International Placing Shares which are not taken up under the International Placing.

The Selling Shareholder is expected to grant to the International Underwriter the Over-Allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriter at any time from the Listing Date until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require the Selling Shareholder to sell an aggregate of 32,400,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the same price per Offer Share under the International Placing to cover, among other things, over-allocations (if any) in the International Placing.

Potential investors should note that if the International Placing Agreement is not entered into or is terminated, the Global Offering will not proceed.

Commissions and Expenses

The Underwriters will receive an underwriting commission of 3% of the aggregate Offer Price of all the Offer Shares (including Offer Shares sold pursuant to the exercise of the Over-Allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Sole Global Coordinator may receive a discretionary incentive fee of up to 1% of the aggregate Offer Price of all the Offer Shares (including Offer Shares sold pursuant to the exercise of the Over-Allotment Option).

For any unsubscribed Hong Kong Public Offer Shares reallocated to the International Placing, the underwriting commission will not be paid to the Hong Kong Underwriter but will instead be paid, at the rate applicable to the International Placing, to the International Underwriter.

The aggregate commissions and fees, together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are estimated to amount in aggregate to approximately HK$42.1 million (assuming an Offer Price of HK$2.52 per Share (being the mid-point of the indicative Offer Price range stated in this prospectus) and the full payment of a discretionary incentive fee), shall be borne by the Company, save for the commissions and fees relating to the Offer Shares to be sold by the Selling Shareholder (including the Offer Shares to be sold pursuant to the exercise of the Over-Allotment Option), which shall be borne by the Selling Shareholder, and for certain fees and expenses which shall be borne by the Underwriters.

Indemnity

Our Company and the Controlling Shareholders have agreed to indemnify the Hong Kong Underwriter for certain losses which it may suffer, including losses incurred arising from performance of its obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriter's Interests in our Company

The Hong Kong Underwriter does not have any shareholding interests in any member of our Group. Save for the obligations under the Hong Kong Underwriting Agreement, the Hong Kong Underwriter does not have the right or option (whether legally enforceable or not) to subscribe for or purchase or nominate persons to subscribe for securities in any member of our Group.

Following the completion of the Global Offering and the Capitalisation Issue, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfiling their obligations under the Underwriting Agreements.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum of 25% of the total issued share capital of our Company in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering and the Capitalisation Issue.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering consists of (subject to adjustment and the Over-Allotment Option):

(a) the Hong Kong Public Offering of initially 21,600,000 Shares (subject to adjustment and reallocation as mentioned below) in Hong Kong as described below under "The Hong Kong Public Offering"; and

(b) the International Placing of an aggregate of initially 194,400,000 Shares, comprising 158,400,000 New Shares and 36,000,000 Sale Shares (subject to adjustment and reallocation and the Over-Allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may apply for the Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Placing respectively may be subject to reallocation as described in the section headed "The Hong Kong Public Offering – Reallocation" below.

THE HONG KONG PUBLIC OFFERING

Number of Shares initially offered

We are initially offering 21,600,000 Shares at the Offer Price, representing 10% of the Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the number of Shares initially offered under the Hong Kong Public Offering will represent 3% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue, whether or not the Over-Allotment Option is exercised, and without taking into account Shares issuable upon exercise of options granted under the Pre-IPO Share Option Scheme or as may be granted under the Share Option Scheme.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional 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 Hong Kong Public Offering is subject to the conditions as set out in the section headed "Conditions of the Global Offering" below.

Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. The allocation of Hong Kong 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 Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The total number of Hong Kong Public Offer Shares available under the Hong Kong Public Offering will initially be divided into two pools for allocation purposes as follows:

- Pool A: The Offer Shares in pool A, being an aggregate of 10,800,000 Shares, will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of HK$5 million or less; and

- Pool B: The Offer Shares in pool B, being an aggregate of 10,800,000 Shares, will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of more than HK$5 million and up to the value of pool B.

Applicants should be aware that applications in pool A and pool B are likely to receive different allocation ratios. If Hong Kong Public Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Public Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 10,800,000 Offer Shares will be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. In the event of over-applications in the Hong Kong Public Offering, the Sole Global Coordinator shall apply a clawback mechanism following the closing of the application lists on the following basis:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of Offer Shares available under the Hong Kong Public Offering will be 64,800,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 86,400,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be further increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 108,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may in its discretion reallocate Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator will have the discretion (but shall not be under any obligation) to reallocate to the International Placing all or any unsubscribed Hong Kong Public Offer Shares in such amounts as they deem appropriate.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL PLACING

Number of Shares initially offered

Subject to the reallocation as described above, the number of Shares to be initially offered under the International Placing will be 194,400,000 Shares, representing 90% of the Offer Shares initially available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering, the number of Shares initially offered under the International Placing will represent approximately 27% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue, assuming that the Over-Allotment Option is not exercised, and without taking into account Shares issuable upon exercise of options granted under the Pre-IPO Share Option Scheme or as may be granted under the Share Option Scheme.

The Selling Shareholder

The Selling Shareholder is initially offering a total of 36,000,000 Sale Shares as part of the International Placing. The Selling Shareholder may sell up to an additional number of 32,400,000 Sale Shares if the Over-Allotment Option is exercised in full.

Allocation

Pursuant to the International Placing, the International Placing Shares will be conditionally placed on behalf of our Company and the Selling Shareholder by the International Underwriter or through selling agents appointed by it. International Placing Shares will be selectively placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. The International Placing is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in the section headed "Pricing and Allocation" below 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, and/or hold or sell, Shares after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of Shares on a basis which would lead to the establishment of a solid shareholder base which would be to our benefit and to that of the Shareholders as a whole.

The Sole Global Coordinator may require any investor who has been offered Offer Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that the Selling Shareholder will grant the Over-Allotment Option to the International Underwriter, which is exercisable by the Sole Global Coordinator on behalf of the International Underwriter. The additional Shares offered pursuant to the exercise of the Over-Allotment Option will be able to satisfy the Sole Global Coordinator's obligation to return Shares borrowed under the Stock Borrowing Agreement.

Pursuant to the Over-Allotment Option, the International Underwriter has the right, exercisable by the Sole Global Coordinator at any time from the Listing Date until the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require the Selling Shareholder to sell up to 32,400,000 Shares, representing 15% of the initial Offer Shares, at the same price per Share under the International Placing, to, among other things, cover over-allocations in the International Placing, if any. If the Over-Allotment Option is exercised in full, the additional International Placing Shares sold pursuant thereto will represent 4.5% of our enlarged total issued share capital immediately following the completion of the Global Offering and the Capitalisation Issue, and without taking into account Shares issuable upon exercise of options granted under the Pre-IPO Share Option Scheme or as may be granted under the Share Option Scheme. In the event that the Over-Allotment Option is exercised, a public announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising action. Such stabilising action, if taken, (i) will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and in what the Stabilising Manager reasonably regards as the best interest of the Company, (ii) may be discontinued at any time and (iii) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules of the SFO includes: (i) over-allocating 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 agreeing to purchase, 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 established as a result of those purchases; and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager or any person acting for it may, in connection with the stabilising action, maintain a long position in the Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager or any person acting for it will maintain such a long position;

- liquidation of any such long position by the Stabilising Manager or any person acting for it and selling in the open market 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 stabilisation period, which will begin on the Listing Date, and is expected to expire on 17 October 2013, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action;

- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for them may cover such over-allocation by (among other methods) using Shares purchased by the Stabilising Manager, its affiliates or any person acting for them in the secondary market, exercising the Over-Allotment Option in full or in part. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilising) Rules of the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold upon exercise of the Over-Allotment Option, being 32,400,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Sole Global Coordinator (or its affiliate(s)) may choose to borrow Shares from shareholders of our Company under stock borrowing arrangements, or acquire Shares from other sources, including the exercise of the Over-Allotment Option.

It is expected that the Stabilising Manager will enter into the Stock Borrowing Agreement with Hiluleka, one of the Controlling Shareholders, whereby the Stabilising Manager may borrow Shares from Hiluleka on the following conditions:

(a) the stock borrowing will only be effected by the Stabilising Manager for the settlement of over-allocations in connection with the International Placing;

(b) the maximum number of Shares borrowed from Hiluleka will be limited to 32,400,000 Shares, being the maximum number of Shares which may be sold by the Selling Shareholder upon full exercise of the Over-Allotment Option;

(c) the same number of Shares borrowed from Hiluleka must be returned to it no later than the third business day following the earlier of (i) the last day on which the Over-Allotment Option may be exercised or (ii) the day on which the Over-Allotment Option is exercised in full and the Shares to be sold upon exercise of the Over-Allotment Option have been sold, or at such earlier time as may be agreed in writing between Hiluleka and the Stabilising Manager;

(d) the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and

(e) no payment will be made to Hiluleka by the Stabilising Manager in relation to such stock borrowing arrangement.

The Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements. The Stock Borrowing Arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that it complies with the requirements set forth in Rule 10.07(3) of the Listing Rules. No payment will be made to Hiluleka by the Stabilising Manager or its agent in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

Determining the Offer Price

The International Underwriter is 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 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 around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Tuesday, 17 September 2013 and in any event no later than Thursday, 19 September 2013, by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Selling Shareholder and our Company.

Offer Price range

The Offer Price will be not more than HK$2.81 per Share and is expected to be not less than HK$2.22 per Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as further 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 for Hong Kong Public Offer Shares under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$2.81 for each Hong Kong Public Offer Share (plus 1 % brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee).

If, for any reason, our Company, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Thursday, 19 September 2013, the Global Offering will not proceed and will lapse.

Change to the Offer Price range and/or change in the number of Offer Shares

The Sole Global Coordinator (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Placing, and with the consent of our Company and the Selling Shareholder, change the number of Offer Shares initially offered in the Global Offering and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of Tuesday, 17 September 2013, being the date on which the application lists close in accordance with the provisions set out in section headed "How to Apply for the Hong Kong Public Offer Shares" of this prospectus (the "**Acceptance Date**") .

In this case, we shall cause to be published:

(a) a notice of the change in the same newspapers in which the formal notice had been published (together with any other newspapers as we and the Sole Global Coordinator (on behalf of the Hong Kong Underwriter) may agree. The notice will include a confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics and any other financial information in this prospectus which may change as a result of any such change; and

(b) such supplemental offering documents as may be required by laws of any governmental authority to be published in such a manner as the relevant laws or governmental authority may require as soon as practicable following the decision to make the change,

and not later than the morning of the Acceptance Date.

Before submitting applications for Hong Kong 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 Hong Kong Public Offering. Applicants who have submitted their applications for Hong Kong Public Offer Shares before such an announcement is made may subsequently withdraw their applications in the event that such an announcement is subsequently made. In the absence of any such announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Selling Shareholder and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Sole Global Coordinator may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-Allotment Option is not exercised). The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Placing may, in certain circumstances, be reallocated between them at the discretion of the Sole Global Coordinator.

Announcement of Offer Price and basis of allocations

The final Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares are expected to be announced on Tuesday, 24 September 2013 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.japanhome.com.hk**).

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement and is subject to our Company, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters), agreeing on the Offer Price.

We expect to enter into the International Placing Agreement relating to the International Placing on or around the Price Determination Date.

These underwriting arrangements and the Underwriting Agreements are summarised in the section headed "Underwriting" of this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on:

- the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and the Capitalisation Issue (including the additional Shares which may be made available pursuant to the exercise of the Over-Allotment Option and Shares issuable upon exercise of options which have been granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme);

- the Offer Price having been duly agreed between us, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters);

- the execution and delivery of the International Placing Agreement on or around the Price Determination Date;

- the obligations of the Hong Kong Underwriter under the Hong Kong Underwriting Agreement and the obligations of the International Underwriter under the International Placing Agreement becoming and remaining 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 the Hong Kong Underwriting Agreement or the International Placing Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Thursday, 19 September 2013, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its respective terms.

If the above conditions are not fulfiled 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 Hong Kong Public Offering will be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next business day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Hong Kong Public Offer Shares – Despatch/Collection of Share Certificates and Refund Monies" of this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Wednesday, 25 September 2013, provided that the Global Offering has become unconditional in all respects and the right of termination as described in the section headed "Underwriting " has not been exercised.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made for 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 Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 25 September 2013, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 25 September 2013.

The Shares will be traded in board lots of 1,000 Shares each.

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for or indicated an interest in any International Placing Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 12 September 2013 until 12:00 noon on Tuesday, 17 September 2013 from:

(i) the following office of the Sole Global Coordinator:

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

(ii) any of the branches of the following receiving banks:

Bank of China (Hong Kong) Limited

District	Branch	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Central District (Wing On House) Branch	71 Des Voeux Road Central
	Taikoo Shing Branch	Shop G1006, Hoi Sing Mansion, Taikoo Shing
	Aberdeen Branch	25 Wu Pak Street, Aberdeen
Kowloon	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin
	Tsim Sha Tsui East Branch	Shop G02-03, Inter-Continental Plaza, 94 Granville Road, Tsim Sha Tsui
	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
New Territories	Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long
	Fo Tan Branch	No. 2, 1/F Shatin Galleria, 18-24 Shan Mei Street, Fo Tan

Hang Seng Bank Limited

District	Branch	Address
Hong Kong Island	Head Office	83 Des Voeux Road Central
	Wan Chai Branch	200 Hennessy Road
Kowloon	Tsimshatsui Branch	18 Carnarvon Road
	Kowloon Main Branch	618 Nathan Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 12 September 2013 until 12:00 noon on Tuesday, 17 September 2013 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to **Bank of China (Hong Kong) Nominees Limited – International Housewares Public Offer** for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Thursday, 12 September 2013	**–**	**9:00 a.m. to 5:00 p.m.**
Friday, 13 September 2013	**–**	**9:00 a.m. to 5:00 p.m.**
Saturday, 14 September 2013	**–**	**9:00 a.m. to 1:00 p.m.**
Monday, 16 September 2013	**–**	**9:00 a.m. to 5:00 p.m.**
Tuesday, 17 September 2013	**–**	**9:00 a.m. to 12:00 noon**

The application lists will open from 11:45 a.m. to 12:00 noon on Tuesday, 17 September 2013, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not

apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to subscribe for or purchase Shares, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees on the Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply" section may apply through the **White Form eIPO** service for the Hong Kong Public Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application through the **White Form eIPO** service at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, 12 September 2013 until 11:30 a.m. on Tuesday, 17 September 2013 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 17 September 2013 or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of the **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "International Housewares Retail Company Limited" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang – Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System **https://ip.ccass.com** (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F, Infinitus Plaza,
199 De Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this 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 Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
- declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters,

their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and/or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the 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 Hong Kong Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Public Offer Shares. Instructions for more than 1,000 Hong Kong 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 Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, 12 September 2013	**–**	**9:00 a.m. to 8:30 p.m. (1)**
Friday, 13 September 2013	**–**	**8:00 a.m. to 8:30 p.m. (1)**
Saturday, 14 September 2013	**–**	**8:00 a.m. to 1:00 p.m. (1)**
Monday, 16 September 2013	**–**	**8:00 a.m. to 8:30 p.m. (1)**
Tuesday, 17 September 2013	**–**	**8:00 a.m.(1) to 12:00 noon**

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 12 September 2013 until 12:00 noon on Tuesday, 17 September 2013 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 17 September 2013, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, 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.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription for the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters and their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 17 September 2013.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the 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).

For further details on the Offer Price, see the section headed "Structure of the Global Offering – Pricing and Allocation".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal numbered 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 Tuesday, 17 September 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 Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 17 September 2013 or if there is a tropical cyclone warning signal numbered 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Tuesday, 24 September 2013 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Company's website at **www.japanhome.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.japanhome.com.hk** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, 24 September 2013;
- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, 24 September 2013 to 12:00 midnight on Monday, 30 September 2013;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, 24 September 2013 to Friday, 27 September 2013;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 24 September 2013 to Thursday, 26 September 2013 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to subscribe for Hong Kong Public Offer Shares (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to subscribe for the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG PUBLIC OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

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.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION 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 maximum Offer Price of HK$2.81 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 24 September 2013.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for: (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including related brokerage, SFC transaction levy and Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Tuesday, 24 September 2013. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 25 September 2013 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong

Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 24 September 2013, or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 24 September 2013, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 24 September 2013, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 24 September 2013, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS Investor Participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 24 September 2013 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from

Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 24 September 2013, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 24 September 2013 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 24 September 2013, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allocation of the Hong Kong Public Offer Shares in the manner specified in "Publication of Results" above on Tuesday, 24 September 2013. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 24 September 2013 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong 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 Hong Kong 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 Tuesday, 24 September 2013. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong 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.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including related brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 24 September 2013.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply 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 or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

1. GENERAL

(a) If you apply for Hong Kong Public Offer Shares in the Hong Kong Public Offering, you will be agreeing with our Company and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) as set out below and in this prospectus.

(b) If you give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for Hong Kong Public Offer Shares on your behalf, you will have authorised HKSCC Nominees to apply on the terms and conditions set out below and in this prospectus, as supplemented and amended by the terms and conditions applicable to the relevant application method.

If you give **electronic application instructions** through the designated website at **www.eipo.com.hk**, you will have authorised the designated **White Form eIPO** Service Provider to apply on the terms and conditions set out below and in this prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.

(c) In this section, references to "you," "applicants," "joint applicants" and other like references shall, if the context so permits, include references to making applications electronically by submitting an application through the **White Form eIPO** service and both nominees and principals on whose behalf HKSCC Nominees is applying for Hong Kong Public Offer Shares, and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC.

(d) Applicants should read this prospectus carefully, including the terms and conditions set out herein and in the Application Forms or imposed by HKSCC prior to making any application for Hong Kong Public Offer Shares.

2. OFFER TO SUBSCRIBE FOR THE HONG KONG PUBLIC OFFER SHARES

(a) You offer to subscribe from us at the Offer Price for the number of the Hong Kong Public Offer Shares indicated in your Application Form (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant Application Form.

(b) For applicants using Application Forms, a refund cheque in respect of the surplus application monies (if any) representing the Hong Kong Public Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable thereto), is expected to be sent to you at your own risk to the address stated on your Application Form on or before Tuesday, 24 September 2013.

(c) Any application may be rejected in whole or in part.

(d) Applicants under the Hong Kong Public Offering should note that in no circumstances (save for those provided under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) or otherwise as set out in this prospectus) can applications be withdrawn once submitted. 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** to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance).

(e) The section of the Application Form headed "Personal Data" applies to any personal data held by our Company and the Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

3. ACCEPTANCE OF YOUR OFFER

(a) The Hong Kong Public Offer Shares will be allocated after the application lists close. We expect to announce the final number of Hong Kong Public Offer Shares, the level of applications under the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Tuesday, 24 September 2013.

(b) The results of allocations of the Hong Kong Public Offer Shares under the Hong Kong Public Offering, including the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers (where applicable) of successful applicants and the number of Hong Kong Public Offer Shares successfully applied for, will be made available on Tuesday, 24 September 2013 in the manner described in the section headed "How To Apply for the Hong Kong Public Offer Shares – Publication of Results".

(c) We may accept your offer to subscribe for Hong Kong Public Offer Shares (if your application is received, valid, processed and not rejected) by announcing the basis of allocation and/or making available the results of allocations publicly.

(d) If we accept your offer to subscribe for Hong Kong Public Offer Shares (in whole or in part), there will be a binding contract under which you will be required to subscribe for the Hong Kong Public Offer Shares in respect of which your offer has been accepted if the conditions of the Global Offering are satisfied or the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering."

(e) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

4. EFFECT OF MAKING ANY APPLICATION

(a) Please refer to the sections headed "How to Apply for the Hong Kong Public Offer Shares — Terms and Conditions of an Application" and "How to Apply for the Hong Kong Public Offer Shares — Applying by Giving Electronic Application Instructions to HKSCC via CCASS" and the relevant Application Form.

(b) Our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and their respective directors, officers, agents and any other parties involved in the Global Offering are entitled to rely on any warranty(ies), representation(s) or declaration(s) made by you in your application.

(c) All the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally.

5. MULTIPLE APPLICATIONS

(a) It will be a term and condition of all applications that by completing and delivering an Application Form or giving **electronic application instructions** or by applying through the **White Form eIPO** service, 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 through the **White Form eIPO** service;

- (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 through the **White Form eIPO** service, and that you are duly authorised to sign the Application Form as that other person's agent.

(b) 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:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service;

- 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 or through the **White Form eIPO** Service;

- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** Service for more than 10,800,000 Shares initially being offered for subscription under the Hong Kong Public Offering, as more particularly described in the section entitled "Structure of the Global Offering – The Hong Kong Public Offering"; or

- have applied for or taken up, or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) Offer Shares under the International Placing.

(c) 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 an application is made by an unlisted company and

- the principal business of that company is dealing in securities; and

- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"***Unlisted company***" means a company with no equity securities listed on the Stock Exchange.

"***Statutory control***" means you:

- control the composition of the board of directors of the company;

- control more than half of the voting power of the company; or

- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

6. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG PUBLIC OFFER SHARES

The situations in which Hong Kong Public Offer Shares will not be allotted to you or your application is liable to be rejected are set out in the section headed "How to Apply for the Hong Kong Public Offer Shares — Circumstances in which You will not be Allotted Hong Kong Public Offer Shares".

7. IF YOUR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

No temporary document of title will be issued in respect of the Shares.

No receipt will be issued for sums paid on application.

You will receive one share certificate for all of the Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS, in which case share certificates will be deposited into CCASS). Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, 25 September 2013 provided that the Global Offering has become unconditional in all respects and the right of termination described in the section headed "Underwriting" has not been exercised.

Please also refer to the section headed "How to Apply for the Hong Kong Public Offer Shares — Despatch/Collection of Share Certificates and Refund Monies".

8. REFUND OF APPLICATION MONIES

Your application monies, or the appropriate portion thereof, together with the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, will be refunded if:

- your application is rejected, not accepted or accepted in part only or if you do not receive any Hong Kong Public Offer Shares for any of the reasons set out above in the section headed "Circumstances in which You will not be Allotted Hong Kong Public Offer Shares";

- the Offer Price as finally determined is less than the Offer Price of HK$2.81 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application;

- the conditions of the Hong Kong Public Offering are not fulfiled in accordance with the section headed "Structure of the Global Offering – Conditions of the Global Offering"; or

- any application is revoked or any allotment pursuant thereto has become void.

No interest will be paid thereon. All interest accrued on such monies prior to the date of refund will be retained for our benefit.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Sole Global Coordinator, cheques for applications for certain small denominations of Hong Kong Public Offer Shares (apart from successful and reserved applications) may not be cleared.

Refund of your application monies (if any) will be made on Tuesday, 24 September 2013 in accordance with the various arrangements as described above. Refund cheques will be crossed "Account Payee Only" made out to you, or if you are joint applicants, to the first-named applicant. Part of your Hong Kong identity card number or passport number, or, if you are joint applicants, part of the Hong Kong identity card number or passport number of the 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 or passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate your refund cheque.

9. COMMENCEMENT OF DEALINGS IN THE SHARES

- Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 25 September 2013.

- The Shares will be traded in board lots of 1,000 Shares each.

10. PERSONAL DATA

The Personal Information Collection Statement is contained in the relevant Application Form.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

12 September 2013

The Directors
International Housewares Retail Company Limited

BOCI Asia Limited

Dear Sirs,

We report on the financial information of International Housewares Retail Company Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the combined balance sheets as at 30 April 2011, 2012 and 2013, the balance sheet of the Company as at 30 April 2013 and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 30 April 2011, 2012 and 2013 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 12 September 2013 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 18 April 2013 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation or described in note 1(b) of Section II headed "Group reorganisation" below, which was completed on 10 September 2013, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1(c) of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in note 1(c) of section II.

The directors of the Company have prepared the consolidated financial statements of Matusadona Investments Limited, the directly held wholly-owned subsidiary of the Company that in turn holds the equity interest in all other subsidiaries of the Group, for the years ended 30 April 2011, 2012 and 2013, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Consolidated Financial Statements"). The directors of the Company are responsible for the preparation of the Consolidated Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Consolidated Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Consolidated Financial Statements and the unaudited management accounts of the Company, on the basis set out in Note 1(c) of Section II below, after making such adjustments as are appropriate.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 1(c) of Section II below and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 1(c) of Section II below, a true and fair view of the state of affairs of the Company as at 30 April 2013 and the combined state of affairs of the Group as at 30 April 2011, 2012 and 2013 and of the Group's results and cash flows for the Relevant Periods then ended.

I. FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 30 April 2011, 2012 and 2013, and for each of the years ended 30 April 2011, 2012 and 2013 (the "Financial Information").

(a) Combined statements of comprehensive income

		Year ended 30 April		
		2011	2012	2013
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*5*	1,017,566	1,211,222	1,498,673
Cost of sales	*6*	(586,150)	(672,831)	(808,223)
Gross profit		431,416	538,391	690,450
Other income	*7*	16,535	18,194	17,073
Other gains, net	*7*	889	1,155	4,642
Distribution and advertising expenses	*6*	(20,775)	(25,099)	(38,032)
Administrative and other operating expenses	*6*	(351,791)	(428,142)	(545,027)
Operating profit		76,274	104,499	129,106
Finance income	*10*	262	713	407
Finance costs	*10*	(1,200)	(1,281)	(1,405)
Profit before income tax		75,336	103,931	128,108
Income tax expense	*11*	(12,890)	(17,401)	(24,939)
Profit for the year		62,446	86,530	103,169
Other comprehensive income				
Currency translation differences		–	783	628
Total comprehensive income for the year		62,446	87,313	103,797
Profit for the year attributable to:				
Equity holders of the Company		62,096	85,432	101,527
Non-controlling interests		350	1,098	1,642
		62,446	86,530	103,169
Total comprehensive income attributable to:				
Equity holders of the Company		62,096	85,901	101,690
Non-controlling interests		350	1,412	2,107
		62,446	87,313	103,797
Earnings per share	*12*	N/A	N/A	N/A
Dividend	*30*	10,000	60,000	–

(b) Combined balance sheets

	Note	As at 30 April 2011 HK$'000	2012 HK$'000	2013 HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	44,965	61,730	66,231
Intangible assets	14	–	25,392	30,801
Deferred income tax assets	22	4,888	3,081	3,797
Non-current rental deposits	17	25,803	33,672	49,234
		75,656	123,875	150,063
Current assets				
Inventories	15	131,849	153,683	225,620
Trade and other receivables	17	29,250	34,587	33,527
Amounts due from related companies	24	2,636	3,449	–
Amounts due from shareholders	27	–	–	1,648
Financial assets at fair value through profit or loss	18	8,468	9,302	18,359
Current income tax asset		–	431	5,946
Pledged bank deposits	19	4,739	3,666	6,511
Cash and cash equivalents	19	119,204	70,806	111,513
		296,146	275,924	403,124
Non-current asset held for sale	36(a)	–	–	13,890
		296,146	275,924	417,014
Total assets		371,802	399,799	567,077
EQUITY				
Equity attributable to equity holders of the Company				
Share capital	20	1	1	1
Reserves	21	134,012	160,604	263,028
Proposed final dividend	30	–	–	96,000
Other reserves		134,012	160,604	167,028
		134,013	160,605	263,029
Non-controlling interests		1,379	17,504	19,965
Total equity		135,392	178,109	282,994

	Note	As at 30 April 2011 HK$'000	2012 HK$'000	2013 HK$'000
LIABILITIES				
Non-current liabilities				
Finance lease liabilities, non-current portion	*28*	827	176	–
Deferred income tax liabilities	*22*	464	513	1,585
Dividend payable		5,000	–	–
Loan due to a non-controlling shareholder of a subsidiary	*26*	–	–	2,575
		6,291	689	4,160
Current liabilities				
Trade and other payables	*23*	147,851	140,168	181,561
Dividend payable		14,500	5,000	–
Amount due to a related company	*24*	93	–	–
Amounts due to non-controlling shareholders of subsidiaries	*25*	–	6,936	2,326
Amounts due to directors	*27*	28	4	–
Borrowings, current portion	*28*	53,807	50,977	62,951
Current income tax liabilities		13,840	17,916	33,085
		230,119	221,001	279,923
Total liabilities		236,410	221,690	284,083
Total equity and liabilities		371,802	399,799	567,077
Net current assets		66,027	54,923	137,091
Total assets less current liabilities		141,683	178,798	287,154

(c) Balance Sheet

	As at 30 April 2013
	HK$'000
ASSETS	
Current assets	
Deferred cost for initial public offering	2,696
Total assets	2,696
EQUITY	
Equity attributable to equity holders of the Company	
Share capital	–
Accumulated loss	(8,704)
Total equity holders' deficit	(8,704)
LIABILITIES	
Current liabilities	
Accrual for cost for initial public offering	6,963
Amount due to a subsidiary	4,437
Total liabilities	11,400
Net current liabilities	(8,704)
Total assets less current liabilities	(8,704)

(d) Combined statements of changes in equity

	Note	Attributable to equity holders of the Company			Non-controlling interest	Total Equity
		Share capital	Reserves	Total		
		HK$'000 (Note 20)	*HK$'000* (Note 21)	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2010		1	81,846	81,847	–	81,847
Comprehensive income:						
Profit for the year		–	62,096	62,096	350	62,446
Transactions with owners:						
Employees share option scheme:						
– Value of employee services	*8*	–	70	70	–	70
Dividends	*30*	–	(10,000)	(10,000)	–	(10,000)
Non-controlling interest arising on business combination	*33(a)*	–	–	–	1,029	1,029
Total transactions with owners		–	(9,930)	(9,930)	1,029	(8,901)
At 30 April 2011		1	134,012	134,013	1,379	135,392
Comprehensive income:						
Profit for the year		–	85,432	85,432	1,098	86,530
Other comprehensive income:						
Currency translation differences		–	469	469	314	783
Total comprehensive income for the year		–	85,901	85,901	1,412	87,313
Transactions with owners:						
Employee share option scheme:						
– value of employee services	*8*	–	320	320	–	320
Capital reserve arising on business combination		–	371	371	–	371
Dividends	*30*	–	(60,000)	(60,000)	–	(60,000)
Capital injection by a non-controlling interest		–	–	–	148	148
Non-controlling interest arising on business combination	*33(b),(c)*	–	–	–	14,565	14,565
Total transactions with owners		–	(59,309)	(59,309)	14,713	(44,596)
At 30 April 2012		1	160,604	160,605	17,504	178,109
Comprehensive income:						
Profit for the period		–	101,527	101,527	1,642	103,169
Other comprehensive income:						
Currency translation differences		–	163	163	465	628
Total comprehensive income for the year		–	101,690	101,690	2,107	103,797
Transactions with owners:						
Employee Share option Scheme:						
– value of employee services	*8*	–	734	734	–	734
Issuance of ordinary shares of a subsidiary to a non-controlling shareholder	*33(b)*	–	–	–	854	854
Dividends	*30*	–	–	–	(500)	(500)
Total transactions with owners		–	734	734	354	1,088
At 30 April 2013		1	263,028	263,029	19,965	282,994

(e) Combined statements of cash flows

	Note	Year ended 30 April 2011 HK$'000	2012 HK$'000	2013 HK$'000
Cash flows from operating activities				
Net cash generated from operations	29(a)	104,278	86,268	99,340
Income tax paid		(12,875)	(11,909)	(15,101)
Net cash generated from operating activities		91,403	74,359	84,239
Cash flows from investing activities				
Purchase of property, plant and equipment		(16,680)	(32,106)	(44,300)
Proceeds from sale of property, plant and equipment	29(b)	172	717	650
Deposits received for sale of property		–	–	6,000
Interest received		262	713	407
Dividend received from financial assets at fair value through profit and loss	7	213	337	369
Acquisition of subsidiaries, net of cash acquired	33	(29)	(14,869)	(2,105)
Repayments of consideration payable for acquisition of subsidiaries	33(b)	–	–	(5,098)
(Purchase)/sale of financial assets at fair value through profit and loss		(5,308)	633	(5,823)
Net cash used in investing activities		(21,370)	(44,575)	(49,900)
Cash flows from financing activities				
Release of/(addition in) pledged bank deposits		1,068	1,072	(2,845)
Issuance of shares to non-controlling interest		–	148	–
Repayments of secured loan and short term bank loans		(7,764)	(1,084)	(1,094)
Capital element of finance lease payments		(467)	(916)	(291)
Interest element of finance lease payments		(92)	(75)	(21)
Net increase/(decrease) in trust receipt loans		16,746	(1,500)	13,280
Proceeds from a loan due to a non-controlling shareholder of a subsidiary		–	–	2,554
Interest paid		(1,108)	(1,206)	(1,384)
Dividends paid		(4,500)	(74,500)	(5,500)
Receipt of proceeds for ordinary shares to be issued to a non-controlling shareholder		–	–	1,455
Net cash generated from/(used in) financing activities		3,883	(78,061)	6,154

	Note	Year ended 30 April 2011 HK$'000	2012 HK$'000	2013 HK$'000
Increase/(decrease) in cash and cash equivalents		73,916	(48,277)	40,493
Cash and cash equivalents at beginning of year		45,130	119,046	70,627
Currency translation differences		–	(142)	311
Cash and cash equivalents at end of year	*19*	119,046	70,627	111,431
Analysis of balances of cash and cash equivalents:				
Cash at banks and on hand	*19*	47,731	29,954	99,749
Short-term bank deposits with original maturity within three months	*19*	71,473	40,852	11,764
Bank overdrafts	*28*	(158)	(179)	(82)
		119,046	70,627	111,431

II. NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

(a) General information

International Housewares Retail Company Limited (the "Company") was incorporated in Cayman Islands on 18 April 2013 as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company. Its subsidiaries are engaged in trading of homeware products, licencing of franchise rights and provision of management services ("Listing Business"). These Financial Information are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

The Group is controlled by Hiluleka Limited (incorporated in the British Virgin Islands), which owns 60% of the Company's issued shares. The ultimate controlling parties of the Group are Mr. Lau Pak Fai, Peter and Ms. Ngai Lai Ha.

(b) Group reorganisation

The Listing Business was primarily carried out by Matusadona Investments Limited ("Matusadona") and its subsidiaries. In preparation for the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"), the Group underwent the reorganisation (the "Reorganisation") as follows:

On 18 April 2013, International Housewares Retail Company Limited was incorporated in the Cayman Islands with an authorised share capital of HK$390,000 consisting of 3,900,000 ordinary shares of HK$0.1 each. 600 ordinary shares and 400 ordinary shares with par value of HK$0.1 each were allocated and issued to the then shareholders, Hiluleka Limited (the "Hiluleka") and Red Home Holding Limited (the "Red Home") respectively.

On 4 September 2013, the authorised share capital of the Company was increased to HK$1,000,000,000 consisting of 10,000,000,000 ordinary shares of HK$0.1 each.

On 10 September 2013, the Company issued and allocated 5,999,400 and 3,999,600 ordinary shares at HK$0.1 per share to Hiluleka and Red Home respectively to acquire 6,000,000 shares and 4,000,000 shares of Matusadona from Hiluleka and Red Home, representing an aggregate of 100% of the total issued share of Matusadona.

The Reorganisation was completed on 10 September 2013.

(c) Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business has been conducted by Matusadona and its subsidiaries. Pursuant to the Reorganisation, the entire equity interest of Matusadona is transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The transaction is merely a reorganisation of the Listing Business with no change in ultimate owners or Listing Business. Accordingly, the combined financial information of the companies now comprising the Group is presented using the carrying values of Matusadona for all periods presented. For the purpose of this report, the Financial Information has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by HKICPA.

At the date of this report, the Company has equity interests in the following subsidiaries:

Company name	Place and date of incorporation	Paid-in capital	Effective Interest held at: 30 April 2011	30 April 2012	30 April 2013	Date of this report	Principal activities and place of operation	Auditors	Years of audit
Matusadona Investments Limited*	British Virgin Islands 15 August 2006	US$100	100%	100%	100%	100%	Investment holding in Hong Kong	PricewaterhouseCoopers	Note 1
Japan Home Centre (H.K.) Limited#	Hong Kong 16 May 1995	HK$202	100%	100%	100%	100%	Retail sales of housewares products in Hong Kong	PricewaterhouseCoopers	Notes 2, 4
JHC (International) Limited#	Hong Kong 17 May 2000	HK$10,000	100%	100%	100%	100%	Export of housewares products and provision of management services in Hong Kong	PricewaterhouseCoopers	Notes 2, 4
Japan Home Centre (Management) Limited#	Hong Kong 16 May 1995	HK$10,000	100%	100%	100%	100%	Licencing of franchise rights and provision of management services in Hong Kong	PricewaterhouseCoopers	Notes 2, 4
JHC (Plastics) Limited#	Hong Kong 9 November 2006	HK$1,375,000	60%	60%	60%	60%	Manufacturing of housewares products in Hong Kong	Shom & Yu CPA Limited	Notes 2, 4
JHC (Mirror) Limited#	Hong Kong 21 October 2009	HK$866,666	60%	60%	60%	60%	Manufacturing of housewares products in Hong Kong	Shom & Yu CPA Limited	Notes 2, 4
JHC (Taiwan) Limited#	Taiwan 2 November 2009	NT$1,000,000	–	–	100%	100%	Trading of housewares products in Taiwan	NA	Note 6
Japan Home (Retail) Pte. Ltd.#	Singapore 8 September 2011	S$5,875,000	–	60%	60%	60%	Retail sales of housewares products in Singapore	PricewaterhouseCoopers	Notes 3, 4
JHC Retail (M) Sdn. Bhd#	Malaysia 12 August 2011	MYR$4,471,485	–	97.5%	97.5%	58.3%	Retail sales of housewares products in Malaysia	PricewaterhouseCoopers	Notes 3, 4
Familj (China) Limited#	Hong Kong 7 November 2011	HK$292,000	–	85.6%	85.6%	85.6%	Investment holding in Hong Kong	PricewaterhouseCoopers	Notes 3, 4
JHC (China) Limited#	Hong Kong 24 October 2011	HK$100	–	100%	100%	100%	Dormant	PricewaterhouseCoopers	Notes 3, 4
泛美家貿易(深圳)有限公司#	Mainland China 21 June 2011	HK$1,000,000	–	100%	100%	100%	Inactive	NA	Note 6
易生活(南京)百貨有限公司#	Mainland China 2 March 2012	US$1,000,000	–	85.6%	85.6%	85.6%	Retail sales of housewares products in Nanjing, Mainland China	PricewaterhouseCoopers	Note 5
Japan Home Centre (Macau) Single-Member Company Limited#	Macau 12 September 1996	MOP$100,000	–	–	100%	100%	Retail sales of housewares products in Macau	Fong Mei Fan	Note 5

* Equity interest directly held by the Company

\# Equity interest indirectly held by the Company

Note 1: For the years ended 30 April 2011, 2012 and 2013

Note 2: For the years ended 30 April 2011 and 2012

Note 3: For the period/year ended 30 April 2012

Note 4: The statutory financial statements for the year ended 30 April 2013 were yet to be audited as of the date of this report.

Note 5: For the year ended 31 December 2012

Note 6: No audited financial statements have been prepared for these subsidiaries as there is no statutory requirement under their respective places of incorporation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied throughout the Relevant Periods unless otherwise stated.

(a) Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA and under the historical cost convention, as modified by financial assets at fair value through profit or loss which are carried at fair value. The Financial Information is presented in Hong Kong dollars (HK$), unless otherwise stated.

The preparation of financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 4.

The following are standards, amendments and interpretations to existing standards that have been published and are relevant and mandatory for the Group but the Group has not early adopted them.

		Effective for accounting period beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 19 (Amendment)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets	1 January 2014
HKAS 39 (Amendment)	Novation of Derivations and Continuation of Hedge Accounting	1 January 2014
HKFRS 1 (Amendment)	'First-time adoption' on Government Loans	1 January 2013
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurements	1 January 2013
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures	1 January 2015
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities	1 January 2014
HKFRSs (Amendment)	Annual improvements 2009–2011 Cycle	1 January 2013
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
HK (IFRIC) – Int 21	Levies	1 January 2014

In addition, HKICPA also published a number of amendments to existing standards under its annual improvement project.

The Group has assessed HKFRS 10's full impact and believes that the adoption from the accounting period beginning on 1 January 2013 will not result in any material impact on the Group's operating results or financial position. Other than the impact of HKFRS 10, the Group is in the process of making an assessment of the impact of these new standards, amendments and interpretations to existing standards on the Financial Information of the Group in the initial application. The adoption of the above is not expected to have a material effect on the Group's operating results and financial position.

(b) Basis of combination

These Financial Information incorporate the financial information of the Company and its subsidiaries. For the acquisition of subsidiaries under common control in prior years, merger method of accounting has been used. For acquisition of all other subsidiaries, they are accounted for using the acquisition method.

(i) Merger accounting for common control combination

The combined financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

Transactions costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

(ii) Acquisition method of accounting

Except for the Reorganisation and the acquisition of Japan Home Centre (H.K.) Limited, JHC (International) Limited and Japan Home Centre (Management) Limited by Matusadona in 2006, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(iii) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated.

Transactions with non-controlling interest that do not result in loss of control are accounted for as equity transactions – that is as transactions with the owners in their capacity as owners. The difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The combined financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined statement of comprehensive income.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

– all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(e) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time to leave.

(ii) Pension obligations

The Group has established a mandatory provident fund scheme ("MPF Scheme") in Hong Kong. The assets of the MPF Scheme are held in separate trustee-administered funds. Both the Group and the employees are required to contribute based on a fixed percentage of the employee's relevant income up to a maximum of HK$1,250 since 1 June 2012 per employee per month.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Bonus plans

The expected cost of bonus payment are recognised as a liability when the Group has a present legal or constructive obligation as a result of service rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(f) Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates a share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the certain companies of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price), if any;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, Matusadona issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) Share-based compensation

The grant by Matusadona of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. In the Company's balance sheet, the fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(g) Revenue recognition

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

(i) Sale of goods

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

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

(ii) Licencing fees

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

(iii) Consignment sales commission, management fees and advertising and promotion income

Such income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

(iv) Sub-leasing rental income

These income are recognised on an accrual basis.

(v) Interest income

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

(vi) Dividend income

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

(h) Property, plant and equipment

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

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

Depreciation of leasehold improvements is calculated to write off their cost less accumulated impairment losses over the unexpired periods of the leases or their expected useful lives of 5 years to the Group, whichever is shorter.

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(j)).

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

(i) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries/businesses and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree business and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Trademark

Separately acquired trademark is shown at historical cost. Trademark acquired in a business combination is recognised at fair value at the acquisition date. Trademark has a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademark over their estimated useful life of 40 years.

(j) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Non-current assets held-for-sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

(l) Inventories

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

(m) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the combined statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the 'Financial assets at fair value through profit or loss' category are presented in the combined statement of comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the combined statements of comprehensive income as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices.

(n) Trade and other receivables

Trade receivables are amounts due from franchisees and customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (note 2(p)).

(o) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the combined balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(p) Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the combined statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the combined statements of comprehensive income.

(q) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks, other short-term highly liquid investments with original maturity of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(r) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

(t) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(u) Current and deferred income tax

The tax expense for the year comprises current and deferred tax, if any. Tax is recognised in comprehensive income in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(v) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(w) Leases (as the lessee)

(i) Operating lease

Lease in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the combined statement of comprehensive income on a straight line basis over the period of the lease.

(ii) Finance lease

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the financial balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is expensed in the combined statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

(x) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given by certain subsidiaries to banks on behalf of fellow subsidiaries to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the Financial Information at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, "Revenue", and the best estimate of the amount required to settle the guarantee. Any increase in the liability relating to guarantees is reported in the combined statement of comprehensive income within administrative and other operating expenses.

Where guarantees in relation to banking facilities among subsidiaries are provided for at no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the Financial Information of the Group, unless the amount is immaterial.

(y) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the combined financial statements, if any. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(z) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Financial Information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: including foreign exchange risk, price risk, credit risk, liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

(i) Foreign exchange risk

The Group mainly operates in Hong Kong, China, Singapore and Malaysia and is exposed to foreign currency exchange fluctuations primarily from exposures arising in the normal course of its business, primarily with respect to United States dollars, Renminbi and Japanese Yen. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has a policy to require group companies to manage their foreign exchange risks against their respective functional currencies. It mainly includes managing the exposures arisen from sales and purchases made by relevant group companies in currencies other than their own functional currencies. The Group also manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure. The Group has not used any hedging arrangement to hedge its foreign risk exposure.

Since Hong Kong dollar is pegged to United States dollars, management considers that there is no significant foreign currency risk between these two currencies to the Group.

At 30 April 2011, 2012 and 2013, if Hong Kong dollar had weakened/strengthened by 5%, against Renminbi with all other variables held constant, post-tax profit for the year/period would have been HK$519,000, HK$540,000 and HK$536,000 higher/lower respectively, mainly as a result of foreign exchange gains/losses on translation of Renminbi-denominated cash and cash equivalents.

At 30 April 2011, 2012 and 2013, if Hong Kong dollar had weakened/strengthened by 5% respectively against the Japanese Yen with all other variables held constant, post-tax profit for the year would have been HK$298,000, HK$475,000 and HK$305,000 lower/higher respectively, mainly as a result of foreign exchange losses/gains on translation of Japanese Yen denominated borrowings.

The remaining assets and liabilities of each company within the Group are mainly denominated in the respective functional currencies. The directors are of the opinion that the volatility of the Group's profits against changes in exchange rates of foreign currencies would not be significant. Accordingly, no sensitivity analysis is performed.

(ii) Price risk

The Group is exposed to equity security price risk. The directors are of the opinion that it is not cost efficient to manage the Group's price risk by diversifying its portfolio.

If the equity price had increased/decreased by 5% with all other variables held constant, the post-tax profit and retained earnings for the years ended 30 April 2011, 2012 and 2013 would have increased/decreased by approximately HK$423,000, HK$465,000 and HK$918,000 respectively, as a result of changes in fair value of other financial assets at fair value through profit or loss.

(iii) Credit risk

Credit risk includes risks resulting from counter party default and risks of concentration. The Group has no significant credit risk as the retail sales are made in cash or by credit cards. In respect of wholesales business, the Group has concentration of credit risk as receivables from several wholesales customers represented all of the Group's trade receivables at the balance sheet date. However, the Group has policies in place for the control and monitoring of relevant credit risks. These credit evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The directors are of the opinion that the Group does not have significant credit risks because the Group mainly trades with franchisees and customers who have established trading history with the Group. The exposure to credit risk is closely monitored on an ongoing basis.

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

The Group considers the credit risks on amounts due from related companies and directors to be low as the Group closely monitors the balance so as to mitigate the impairment exposure.

The credit risk on cash and cash equivalents is limited because the counterparties are reputable and creditworthy banks.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined balance sheet.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and bank balances. The Group's liquidity risk is further mitigated through the availability of financing through its own cash resources and the availability of banking facilities to meet its financial commitments. In the opinion of the directors, the Group does not have any significant liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including interest elements computed using contractual rates, or if floating based on rates at the year end dates during the Relevant Periods.

	As at 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
On demand			
– Secured bank loans subject to a repayment on demand clause *(note (i))*	5,399	4,315	3,221
– Trust receipt loans subject to a repayment on demand clause *(note (i))*	47,868	46,368	59,648
– Corporate guarantee *(note (ii))*	8,400	8,000	10,190
	61,667	58,683	73,059
Less than one year			
– Trade and other payables *(note 23)*	141,696	131,641	166,201
– Amount due to a related company	93	–	–
– Amounts due to non-controlling shareholders of subsidiaries	–	6,936	2,326
– Amounts due to directors	28	4	–
– Finance lease liabilities *(note 28(a))*	443	129	–
– Bank overdraft	158	179	82
	142,418	138,889	168,609
Over one year			
– Finance lease liabilities *(note 28(a))*	882	184	–
– Loan due to a non-controlling shareholder of a subsidiary	–	–	2,646
	882	184	2,646
	204,967	197,756	244,314

(i) Secured bank loans and trust receipt loans with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. The aggregate undiscounted principal amounts of these bank loans amounted to HK$53,267,000, HK$50,683,000 and HK$62,869,000 as at 30 April 2011, 2012 and 2013 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayments. The directors believe that such bank loans including interest payable will be repaid in accordance with the scheduled repayment dates set out in the loan agreements as below:

	Group		
	As at 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Less than one year			
Secured bank loans			
– principal	1,085	1,094	1,105
– interest payable	47	40	29
	1,132	1,134	1,134
Trust receipt loans			
– principal	47,868	46,368	59,648
– interest payable	1,240	2,318	1,308
	49,108	48,686	60,956
Total	50,240	49,820	62,090
Over one year			
Secured bank loans			
– principal	4,314	3,221	2,116
– interest payable	80	50	86
	4,394	3,271	2,202
Total	54,634	53,091	64,292

(ii) As set out in note 32, the Group has given counter-indemnity to its bankers who have given guarantees in lieu of deposits amounting to approximately HK$8,400,000, HK$8,000,000 and HK$10,190,000 as at 30 April 2011, 2012 and 2013 respectively to the Group's landlords and utility providers.

(v) Cash flow and fair value interest rate risk

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

However, the interest income and expenses derived therefrom are relatively insignificant to the Group's operations. Therefore, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Accordingly, the directors are of the opinion that the Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the debt-to-asset ratio. The ratio is calculated as total debt divided by total assets. Total debt is calculated as interest-bearing borrowings.

	As at 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Total debt	54,634	51,153	62,951
Total assets	371,802	399,799	567,077
Debt-to-asset ratio	15%	13%	11%

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at 30 April 2011, 2012 and 2013.

	As at 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Financial assets included in level 1			
– Financial assets at fair value through profit or loss	8,468	9,302	18,359

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The carrying values less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives of property, plant and equipment and trademarks

The management makes estimates and assumptions over the useful lives of property, plant and equipment and trademarks. At each balance sheet date, both internal and external sources of information are considered to assess whether the estimate useful lives of property, plant and equipment and trademarks is appropriate and relevant. If there has been a significant change in the expected pattern of economic benefits for these property, plant and equipment and trademarks, the depreciation/amortisation method should be changed to reflect the changed pattern and such change should be accounted for as a change in accounting estimate and the depreciation/amortisation charge for the current and future periods should be adjusted.

(b) Write-downs of inventories

Inventories are written down to net realisable value based on an assessment of their realisability. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the period in which such estimate is changed.

(c) Income tax

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(d) Deferred income tax

Deferred income tax asset in relation to the Group's decelerated tax depreciation has been recognised in the combined balance sheet. The realisability of the deferred income tax asset mainly depends on whether sufficient profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the income statements for the period in which such a reversal takes place.

(e) Share-based payment

The Group is required to expense its employees' share-based compensation awards in accordance with HKFRS 2 "Share-based payment". The Group measures share-based compensation cost based on the fair value on the grant date of each award. This cost is recognised over the period during which an employee is required to provide service in exchange for the award or the requisite service period, usually the vesting period, and is adjusted for actual forfeitures that occur before vesting. In order to assess the fair value of share-based compensation, the Group is required to use certain assumptions, including the probability of reaching the market performance, if any, and financial results targets, the forfeitures and the service period of each employee. The use of different assumptions and estimates could produce materially different estimated fair values for the share-based compensation awards and related expenses.

5 REVENUE

	Year ended 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Sale of goods			
– Retail	980,710	1,170,649	1,456,698
– Wholesales	29,343	32,908	32,436
Consignment sales commission income	6,826	7,067	9,013
Management fee income	578	520	448
Licencing fees	109	78	78
	1,017,566	1,211,222	1,498,673

6 EXPENSES BY NATURE

	Year ended 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Auditors' remuneration	546	906	1,124
Air conditioning expenses	8,884	9,224	10,062
Advertising and promotion expenses	6,530	6,801	10,696
Amortisation of trademark *(note 14)*	–	294	632
Building management fees			
– office premises	987	175	182
– retail shops	17,832	20,751	23,891
Cost of inventories sold	586,150	672,831	808,223
Delivery charges	13,736	16,893	24,616
Depreciation expense *(note 13)*			
– owned property, plant and equipment	15,792	18,707	23,338
– leased property, plant and equipment	650	267	–
Employee benefit expenses (including directors' emoluments) *(note 8)*	124,255	157,512	200,625
Government rates	4,906	5,864	6,229
Legal and professional fee			
– incurred for initial public offering	–	–	8,704
– others	97	2,341	873
Operating lease rental in respect of			
– office premises and warehouses	7,036	10,663	15,063
– retails shops	136,836	161,164	205,024
Goodwill written off *(note 33(a))*	235	–	–
Repair and maintenance	2,513	4,677	6,118
Utility expenses	13,619	16,694	21,427
Net exchange losses/(gains)	576	(398)	(1,297)
Others	17,536	20,706	25,752
Total cost of sales, distribution and advertising expenses, and administrative and other operating expenses	958,716	1,126,072	1,391,282

7 OTHER INCOME AND OTHER GAINS, NET

	Year ended 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Other income			
Advertising and promotion income	10,971	10,915	10,610
Sub-leasing rental income	2,029	2,629	3,622
Compensation income from landlord on early termination	2,790	3,996	500
Tax indemnity from shareholders *(note 11)*	–	–	1,648
Dividend income from financial assets at fair value through profit or loss	213	337	369
Sundry income	532	317	324
	16,535	18,194	17,073
Other gains, net			
Unrealised fair value gains on financial assets at fair value through profit or loss	1,245	835	3,234
Realised gains on disposal of financial assets at fair value through profit or loss	–	633	–
Gain from bargain purchase *(note 33(a),(d))*	434	–	325
Loss on disposal of property, plant and equipment, net *(note 29(b))*	(790)	(313)	(43)
Others	–	–	1,126
	889	1,155	4,642

8 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	Year ended 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Salaries and bonuses	116,224	146,090	187,620
Provision for unutilised annual leave	772	266	629
Pension costs – defined contribution plans	5,247	6,696	9,305
Other employee benefits	1,942	4,140	2,337
Share-based compensation *(note)*	70	320	734
	124,255	157,512	200,625

Note: On 12 October 2010, Matusadona launched a share option plan under which options were granted to the directors and selected employees of certain subsidiaries. Options are conditional on the employees completing three years' service (the vesting period). The options are exercisable from 1 January 2012 to 1 October 2018, subject to certain performance target.

The details of the share option plan and options granted are as follows:

	Year ended 30 April		
	2011	2012	2013
Exercise price per share granted in:	HK$56	HK$75	HK$100
Exercise date		From 1 January 2012 to 1 October 2018	
Performance		Achievement of target set by Matusadona	
Expected outcome of meeting performance criteria (at grant date)		100%	
Method of settlement		Share distribution	
Maximum terms		8 years	

The fair value of the options awarded on the date of grant using the Black-Scholes option pricing model are calculated based on the following key inputs and assumptions:

	Year ended 30 April		
	2011	2012	2013
Weighted average fair value of options granted	HK$12.20	HK$20.42	HK$20.96
Exercise price	HK$56	HK$75	HK$100
Expected volatility	31.45%	40.35%	30.15%
Risk-free interest rate in %	2.04%	1.35%	0.71%
Expected option term in years	8	8	8
Expected dividend yield in %	2.31%	2.79%	3.08%

The expected volatility is estimated by making reference to the historical price movement of comparable companies in the market over the last 5 years.

The following is a summary of option activity during the years ended 30 April 2011, 2012 and 2013:

	Year ended 30 April					
	2011		2012		2013	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
		HK$		*HK$*		*HK$*
At beginning of the year	–	–	35,000	56	88,000	67
Granted	35,000	56	53,000	75	70,000	100
Forfeited	–		–		(10,000)	56
At end of the year	35,000	56	88,000	67	148,000	84
Options exercisable	–		11,550		35,700	

Up to the date of the report, no options have ever been exercised.

9 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Director's emoluments

The remuneration of the individual director of the Company paid and payable by companies comprising the Group for the years ended 30 April 2011, 2012 and 2013 are set out below:

	Fees	Discretionary bonus	Salary allowances and benefits in kind	Employer's contribution pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 30 April 2011					
Executive Directors:					
Lau Pak Fai, Peter	–	–	1,777	12	1,789
Ngai Lai Ha	–	–	1,706	12	1,718
Cheng Sing Yuk	–	–	664	12	676
Non-executive Directors:					
Chung Tak Wai	–	–	–	–	–
Yeung Yiu Keung	120	–	–	–	120
Independent non-executive Directors:					
Tsui Ka Yiu	–	–	–	–	–
Lo Wing Yan William	–	–	–	–	–
Huang Lester Garson	–	–	–	–	–
	120	–	4,147	36	4,303

	Fees	Discretionary bonus	Salary allowances and benefits in kind	Employer's contribution pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 30 April 2012					
Executive Directors:					
Lau Pak Fai, Peter	–	–	1,817	12	1,829
Ngai Lai Ha	–	–	1,746	12	1,758
Cheng Sing Yuk	–	–	834	12	846
Non-executive Directors:					
Chung Tak Wai	–	–	–	–	–
Yeung Yiu Keung	120	–	–	–	120
Independent non-executive Directors:					
Tsui Ka Yiu	–	–	–	–	–
Lo Wing Yan William	–	–	–	–	–
Huang Lester Garson	–	–	–	–	–
	120	–	4,397	36	4,553

	Fees	Discretionary bonus	Salary allowances and benefits in kind	Employer's contribution pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 30 April 2013					
Executive Directors:					
Lau Pak Fai, Peter	6	–	1,927	15	1,948
Ngai Lai Ha	6	–	1,857	15	1,878
Cheng Sing Yuk	20	–	1,047	15	1,082
Non-executive Directors:					
Chung Tak Wai	–	–	–	–	–
Yeung Yiu Keung	120	–	–	–	120
Independent non-executive Directors:					
Tsui Ka Yiu	–	–	–	–	–
Lo Wing Yan William	–	–	–	–	–
Huang Lester Garson	–	–	–	–	–
	152	–	4,831	45	5,028

All Executive Directors and Non-executive Directors were appointed on 18 April 2013.

All Independent non-executive directors were appointed on 4 September 2013.

Mr. Lau Pak Fai, Peter is the chief executive officer of the Group.

Mr. Lau Pak Fai, Peter, Ms. Ngai Lai Ha and Mr Cheng Sing Yuk are also employees of companies within the Group and the Group paid employee benefits to them during the Relevant Periods before their respective appointments of directorship.

(b) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group include 3, 3 and 3 directors for the years ended 30 April 2011, 2012 and 2013, respectively, whose remuneration are reflected in the analysis presented above.

The remuneration paid to the remaining individuals are as follows:

	Year ended 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Salaries and bonuses	1,260	1,539	2,683
Pension costs – defined contribution plans	24	24	30
	1,284	1,563	2,713

The remuneration fell within the following bands:

	Year ended 30 April		
	2011	2012	2013
Remuneration bands			
HK$Nil to HK$1,000,000	2	2	1
HK$1,000,001 to HK$1,500,000	–	–	–
HK$1,500,001 to HK$2,000,000	–	–	1

(c) For the years ended 30 April 2011, 2012 and 2013, no remuneration were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office, and there was no arrangement under which a director or the five highest paid individuals waived or agreed to waive any of the remuneration.

10 FINANCE COSTS, NET

	Year ended 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Interest expenses on:			
– secured bank loans wholly payable within 5 years	71	50	39
– trust receipt loans and bank overdrafts	1,037	1,156	1,290
– finance lease liabilities	92	75	21
– loan from a non-controlling shareholder of a subsidiary	–	–	55
	1,200	1,281	1,405
Interest income from bank deposits	(262)	(713)	(407)
Finance costs, net	938	568	998

11 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the years ended 30 April 2011, 2012 and 2013. Overseas profits tax has been provided at the standard tax rate of the respective entities according to local tax laws.

	Year ended 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong profits tax			
– current year	13,320	15,524	22,794
– under-provisions in prior years	357	–	1,651
	13,677	15,524	24,445
Overseas taxation	–	28	84
	13,677	15,552	24,529
Deferred income tax *(note 22)*	(787)	1,849	410
Income tax expense	12,890	17,401	24,939

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate applicable to profits of the entities, as follows:

	Year ended 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax	75,336	103,931	128,108
Tax calculated at domestic tax rates applicable to profits in the respective countries	12,430	17,023	20,753
Income not subject to tax	(253)	(448)	(584)
Expenses not deductible for tax purposes	227	331	1,577
Under-provisions in prior years	357	–	1,651
Tax incentives	–	(230)	(174)
Tax loss not recognised	–	1,001	1,780
Others	129	(276)	(64)
Income tax expense	12,890	17,401	24,939

The weighted average applicable tax rate was 16.5%, 16.4% and 16.2% in the years and 30 April 2011, 2012 and 2013 respectively.

As at the date of the Financial Information, the Hong Kong Inland Revenue Department is conducting a field audit on three subsidiaries of the Group and had issued additional assessments for the years of assessment 2003/04 to 2006/07 to the three subsidiaries, demanding tax totalling HK$11,100,000. These assessments were protective assessments issued before the expiry of the statutory time-barred period pending the result of the field audit.

The management has recorded income tax expenses of HK$1,648,000 in the Group's income statement for the year ended 30 April 2013 to cover the total potential additional tax, penalty surcharge and interest. Based on the advice sought from the Group's tax representative and self assessment, the management considers that this amount appropriately reflects the Group's additional liability based on the current status of the case.

The shareholders have agreed to indemnify the Group in respect of such amount and any cost or liabilities arising out of the additional assessment for which the Group may be liable in relation to the tax audit.

12 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to the Reorganisation and the presentation of the results for the Relevant Periods on a combined basis as disclosed in Note 1(c) of Section II above.

13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improve-ments	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Moulds	Machinery and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2010								
Cost	18,839	55,563	42,729	7,959	2,416	4,125	676	132,307
Accumulated depreciation	(3,092)	(41,692)	(30,899)	(6,286)	(1,098)	(3,300)	(529)	(86,896)
Net book amount	15,747	13,871	11,830	1,673	1,318	825	147	45,411
Year ended 30 April 2011								
Opening net book amount	15,747	13,871	11,830	1,673	1,318	825	147	45,411
Acquisition of subsidiaries *(note 33(a))*	–	–	20	3	–	–	1,192	1,215
Additions	–	8,682	5,459	803	670	–	129	15,743
Disposals *(note 29(b))*	–	(939)	–	–	(23)	–	–	(962)
– cost	–	(2,027)	–	–	(364)	–	–	(2,391)
– accumulated depreciation	–	1,088	–	–	341	–	–	1,429
Depreciation	(619)	(7,141)	(5,814)	(810)	(770)	(825)	(463)	(16,442)
Closing net book amount	15,128	14,473	11,495	1,669	1,195	–	1,005	44,965
At 30 April 2011								
Cost	18,839	62,218	48,208	8,765	2,722	4,125	1,997	146,874
Accumulated depreciation	(3,711)	(47,745)	(36,713)	(7,096)	(1,527)	(4,125)	(992)	(101,909)
Net book amount	15,128	14,473	11,495	1,669	1,195	–	1,005	44,965
Year ended 30 April 2012								
Opening net book amount	15,128	14,473	11,495	1,669	1,195	–	1,005	44,965
Acquisition of businesses *(note 33(b) and (c))*	–	699	1,997	58	352	–	–	3,106
Additions	–	17,144	11,236	3,083	1,515	–	650	33,628
Disposals *(note 29(b))*	–	(537)	–	–	(479)	–	(14)	(1,030)
– cost	–	(1,009)	–	–	(1,433)	–	(66)	(2,508)
– accumulated depreciation	–	472	–	–	954	–	52	1,478
Depreciation	(619)	(8,877)	(6,722)	(1,267)	(890)	–	(599)	(18,974)
Exchange difference	–	(2)	30	(1)	8	–	–	35
Closing net book amount	14,509	22,900	18,036	3,542	1,701	–	1,042	61,730
At 30 April 2012								
Cost	18,839	79,052	61,441	11,906	3,156	4,125	2,581	181,100
Accumulated depreciation	(4,330)	(56,152)	(43,405)	(8,364)	(1,455)	(4,125)	(1,539)	(119,370)
Net book amount	14,509	22,900	18,036	3,542	1,701	–	1,042	61,730
Year ended 30 April 2013								
Opening net book amount	14,509	22,900	18,036	3,542	1,701	–	1,042	61,730
Acquisitions of a subsidiary *(note 33 (e))*	–	445	526	31	–	–	–	1,002
Additions	–	19,218	16,938	2,820	2,046	–	421	41,443
Disposals *(note 29(b))*	–	(469)	–	–	(222)	–	(2)	(693)
– cost	–	(769)	–	–	(1,019)	–	(215)	(2,003)
– accumulated depreciation	–	300	–	–	797	–	213	1,310
Depreciation	(619)	(10,520)	(9,081)	(1,584)	(1,085)	–	(449)	(23,338)
Exchange difference	–	(9)	(13)	(1)	–	–	–	(23)
Transferred to non-current asset held for sale *(note 37(a))*	(13,890)	–	–	–	–	–	–	(13,890)
Closing net book amount	–	31,565	26,406	4,808	2,440	–	1,012	66,231

	Land and buildings	Leasehold improve-ments	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Moulds	Machinery and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 April 2013								
Cost	–	99,623	79,354	14,816	4,183	4,125	2,788	204,889
Accumulated depreciation	–	(68,058)	(52,948)	(10,008)	(1,743)	(4,125)	(1,776)	(138,658)
Net book amount	–	31,565	26,406	4,808	2,440	–	1,012	66,231

Depreciation expense of HK$16,442,000, HK$18,974,000 and HK$23,338,000 for the years ended 30 April 2011, 2012 and 2013, respectively, has been expensed in administrative and other operating expenses.

All land and buildings are located in Hong Kong, held under medium term leases and were pledged as securities for the Group's banking facilities as detailed in note 28(c).

Motor vehicles includes the following amounts where the Group is a lessee under finance leases:

	Year ended 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Cost - capitalised finance leases	2,321	888	–
Accumulated depreciation	(1,406)	(719)	–
Net book amount	915	169	–

The Group leases various motor vehicles under non-cancellable finance lease agreements. The lease terms are between 4.5 and 5 years, and ownership of assets lie within the Group.

14 INTANGIBLE ASSETS

	Goodwill	Trademark	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 1 May 2010 and 2011			
Cost	–	–	–
Accumulated amortisation	–	–	–
Net book amount	–	–	–
Year ended 30 April 2012			
Opening net book amount	–	–	–
Acquisition of businesses during the year *(note 33(b),(c))*	727	24,370	25,097
Amortisation charge	–	(294)	(294)
Exchange realignment	–	589	589
Closing net book amount	727	24,665	25,392
Year ended 30 April 2013			
Opening net book amount	727	24,665	25,392
Acquisition of a subsidiary during the year *(note 33(e))*	5,931	–	5,931
Amortisation charge	–	(632)	(632)
Exchange realignment	–	110	110
Closing net book amount	6,658	24,143	30,801

Goodwill is allocated to the Group's retail business in Mainland China and Macau, which is considered as separate cash generating units.

For the purpose of impairment test, the recoverable amount of the retail business unit in Mainland China is determined based on value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budgets approved by management covering a five-year period and a pre-tax discount rate of 15%, which reflects the specific risks relating to the housewares retail business. The cash flows beyond the five-year period are extrapolated using a 2% growth rate. This growth rate does not exceed the average growth rate for retail industry in which the Group operates.

Management does not foresee any significant change in the key assumptions used in the value-in-use calculation that will cause the recoverable amount of goodwill to be less than its carrying amount.

Amortisation expenses of HK$294,000 and HK$632,000 of the trademark have been included in administrative and other operating expenses for the year ended 30 April 2012 and 2013 respectively.

15 INVENTORIES

	As at 30 April		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Merchandise	131,849	153,683	225,620

The cost of inventories recognised as an expense and included in cost of sales amounted to HK$586,150,000, HK$672,831,000 and HK$808,223,000 for the years ended 30 April 2011, 2012 and 2013 respectively.

16 FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial instruments include the following:

	As at 30 April		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets:			
Loans and receivables:			
Trade and other receivables	52,218	64,150	77,502
Amounts due from related companies	2,636	3,449	–
Amounts due from shareholders	–	–	1,648
Pledged bank deposits	4,739	3,666	6,511
Cash and cash equivalents	119,204	70,806	111,513
	178,797	142,071	197,174
Financial assets at fair value through profit and loss	8,468	9,302	18,359
	187,265	151,373	215,533

	As at 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Financial liabilities:			
Other financial liabilities at amortised cost:			
Trade and other payables	141,696	131,641	166,201
Amount due to a related company	93	–	–
Amounts due to non-controlling shareholders of subsidiaries	–	6,936	2,326
Loan due to a non-controlling shareholder of a subsidiary	–	–	2,575
Amounts due to directors	28	4	–
Bank borrowings	53,267	50,683	62,869
Finance lease liabilities	1,209	291	–
Bank overdrafts, secured	158	179	82
	196,451	189,734	234,053

17 TRADE AND OTHER RECEIVABLES

	As at 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	2,522	4,673	1,479
Rental and utility deposits	46,769	59,321	72,342
Other receivables	2,927	156	3,681
Maximum exposure to credit risk	52,218	64,150	77,502
Deferred cost for initial public offering	–	–	2,696
Other prepayments	2,835	4,109	2,563
	55,053	68,259	82,761
Less: non-current rental deposits	(25,803)	(33,672)	(49,234)
Current portion	29,250	34,587	33,527

The Group normally make sales to customers on a cash-on-delivery basis. The ageing analysis of trade receivables based on invoice date is as follows:

	As at 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Up to 3 months	2,522	4,673	1,479

As at 30 April 2011, 2012 and 2013, trade receivables of HK$2,055,000, HK$3,253,000 and HK$1,098,000 were past due but not impaired. These relate to a number of independent franchisees and customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Within 3 months	2,055	3,253	1,098

Trade and other receivables do not contain impaired assets. The carrying values of trade and other receivables approximate their fair values as at 30 April 2011, 2012 and 2013. The Group does not hold any collateral over these balances.

The carrying amounts of trade and other receivables are denominated in the following currencies:

	As at 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
United States dollars	2,055	3,543	1,190
Hong Kong dollars	52,998	54,785	64,831
Singapore dollars	–	7,545	12,159
Malaysian Ringgit	–	1,018	2,077
Renminbi	–	1,368	1,574
Taiwan New Dollar	–	–	258
Macau Patacas	–	–	672
	55,053	68,259	82,761

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Listed equity securities in Hong Kong, at market value	8,468	9,302	18,359

Purchase of financial assets at fair value through profit or loss are presented within "investing activities" in the combined statements of cash flows.

Changes in fair values of financial assets at fair value through profit or loss are recorded in "other gains, net" in the combined statements of comprehensive income.

The fair values of all the equity securities were based on their current bid prices in an active market.

19 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSIT

	As at 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Cash at banks and on hand	47,731	29,954	99,749
Short-term bank deposits	76,212	44,518	18,275
	123,943	74,472	118,024
Less: Pledged bank deposits *(note 28(c))*	(4,739)	(3,666)	(6,511)
Cash and cash equivalents	119,204	70,806	111,513
Maximum exposure to credit risk	120,955	72,185	115,174

The effective interest rate on short-term bank deposits is 0.23%, 0.78% and 0.39% as at 30 April 2011, 2012 and 2013 respectively; these deposits have an average original maturity of 78, 9 and 53 days respectively.

Cash and cash equivalents include the following for the purpose of the combined statements of cash flows:

	As at 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Cash and cash equivalents in the combined balance sheets	119,204	70,806	111,513
Bank overdrafts *(note 28)*	(158)	(179)	(82)
	119,046	70,627	111,431

The carrying values of pledged bank deposits and cash and cash equivalents are denominated in the following currencies:

	As at 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong dollars	113,513	56,209	96,094
Singapore dollars	–	1,763	3,172
Malaysian Ringgit	–	603	1,554
Japanese yen	19	19	672
United States dollars	27	4,656	777
Renminbi	10,384	11,222	11,662
Taiwan New dollars	–	–	446
Macau Patacas	–	–	3,647
	123,943	74,472	118,024

Renminbi is not a freely convertible currency in the international market. The conversion of Renminbi into foreign currencies and remittance of Renminbi out of the Mainland China are subject to the rules and regulations of foreign exchange control promulgated by the government of the Mainland China.

20 SHARE CAPITAL

Share capital during the Relevant Periods represents the share capital of Matusadona Investments Limited, which is the then holding company of the Listing Business during the Relevant Periods.

21 RESERVES

	Share premium	Merger reserve	Share-based compensation reserve	Capital reserves	Translation reserve	Retained earnings	Total
	HK$'000	*HK$'000 (note (a))*	*HK$'000*	*HK$'000 (note (b))*	*HK$'000*	*HK$'000*	*HK$'000*
Balances at 1 May 2010	1	(486)	–	–	–	82,331	81,846
Comprehensive income:							
Profit for the year	–	–	–	–	–	62,096	62,096
Transactions with owner:							
Employees share option scheme:							
– Value of employee services *(note 8)*	–	–	70	–	–	–	70
Dividends *(note 30)*	–	–	–	–	–	(10,000)	(10,000)
Balance at 30 April 2011	1	(486)	70	–	–	134,427	134,012
Comprehensive income:							
Profit for the year	–	–	–	–	–	85,432	85,432
Transactions with owners:							
Currency translation difference	–	–	–	–	469	–	469
Employees share option scheme:							
– Value of employee services *(note 8)*	–	–	320	–	–	–	320
Capital reserve arising on business combination	–	–	–	371	–	–	371
Dividends *(note 30)*	–	–	–	–	–	(60,000)	(60,000)
Balance at 30 April 2012	1	(486)	390	371	469	159,859	160,604
Comprehensive income:							
Profit for the year	–	–	–	–	–	101,527	101,527
Currency translation difference	–	–	–	–	163	–	163
Transactions with owners:							
Employees share option scheme:							
– Value of employee services *(note 8)*	–	–	734	–	–	–	734
Balance at 30 April 2013	1	(486)	1,124	371	632	261,386	263,028

Notes:

(a) In 2006, Matusadona acquired the entire equity interests in Japan Home Centre (H.K.) Limited, JHC (International) Limited and Japan Home Centre (Management) Limited from the ultimate beneficial owners, Mr. Lau Pak Fai, Peter and Ms. Ngai Lai Ha.

The merger reserve represents the difference between the aggregate nominal value of the share capital of these subsidiaries at the date on which they were acquired by Matusadona and the nominal amount of the share capital issued by Matusadona as consideration for the acquisition.

(b) Familj (China) Limited ("Familj"), a wholly-owned subsidiary of Matusadona granted an option (the "Option") to Mr Wu, an independent third party as part of the purchase consideration for a housewares retail business in Mainland China on 30 March 2012. According to the option terms and subject to certain condition, Mr Wu is entitled to subscribe 1,455,000 ordinary shares of Familj at an agreed amount in a specified period. The fair value of the option granted was estimated by management to be approximately HK$371,000 and is recognised as capital reserve.

Additionally, Mr. Wu and Mr. Lin, a business partner of Familj, shall have the option to transfer their shareholding in Familj to the Company in exchange for the Company's newly issued ordinary shares subject to achievement of certain performance target ("the Conversion Option"). The fair value of the Conversion Option was assessed by the management to be insignificant.

For details of the business combination, please see note 33(c).

On 9 September 2013, Familj and Mr. Wu entered into a termination agreement (the "Termination Agreement"), whereby Mr. Wu agreed and confirmed to unconditionally and irrevocably waived all his rights to the Option with effect from the date of the Termination Agreement. In return, Familj agreed to pay RMB1,000,000 to Mr. Wu. On 9 September 2013, each of Mr. Wu and Mr. Lin also agreed to waive their rights to the Conversion Option with immediate effect.

22 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The analysis of deferred income tax assets and liabilities is as follows:

	As at 30 April		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Deferred income tax assets:			
–To be recovered after more than 12 months	2,663	2,930	3,347
–To be recovered within 12 months	2,225	151	450
	4,888	3,081	3,797
Deferred income tax liabilities:			
–To be settled after more than 12 months	(233)	(315)	(1,530)
–To be settled within 12 months	(231)	(198)	(55)
	(464)	(513)	(1,585)
	4,424	2,568	2,212

The gross movement on the deferred income tax account is as follows:

	HK$'000
At 1 May 2010	3,631
Credited to the profit or loss *(note 11)*	787
Acquisition of subsidiaries *(note 33(a))*	6
At 30 April 2011	4,424
Charged to the profit or loss	(1,849)
Exchange realignment	(7)
At 30 April 2012	2,568
Charged to the profit or loss	(410)
Exchange realignment	54
At 30 April 2013	2,212

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Decelerated depreciation allowances	Unrealised profit	Total
	HK$'000	*HK$'000*	*HK$'000*
Deferred income tax assets			
At 1 May 2010	1,986	2,054	4,040
Credited to the profit or loss	601	170	771
Acquisition of subsidiaries *(note 33(a))*	77	–	77
At 30 April 2011	2,664	2,224	4,888
Credit/(charged) to the profit or loss	266	(2,073)	(1,807)
At 30 April 2012	2,930	151	3,081
Charged to the profit or loss	418	236	654
Exchange realignment	–	62	62
At 30 April 2013	3,348	449	3,797

	Accelerated depreciation allowances
	HK$'000
Deferred income tax liabilities	
At 1 May 2010	408
Credited to the profit or loss	(15)
Acquisition of subsidiaries *(note 33(a))*	71
At 30 April 2011	464
Charged to the profit or loss	42
Exchange realignment	7
At 30 April 2012	513
Charged to the profit or loss	1,064
Exchange realignment	8
At 30 April 2013	1,585

Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through future taxable profit is probable. The Group did not recognise deferred income tax assets of approximately HK$Nil, HK$1,001,000 and HK$2,782,000 in respect of the tax losses amounting to HK$Nil, HK$5,414,000 and HK$13,504,000 for the years ended 30 April 2011, 2012 and 2013 respectively that can be carried forward against future taxable income.

	As at 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
With no expiry date	–	5,054	9,899
Expiring in 2017	–	360	360
Expiring in 2018	–	–	3,245
	–	5,414	13,504

23 TRADE AND OTHER PAYABLES

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

(a) The carrying values of trade and other payables approximate their fair values as at 30 April 2011, 2012 and 2013.

(b) The ageing analysis of trade payables based on invoice date is as follows:

	As at 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
0 - 30 days	37,353	37,896	55,631
31 - 60 days	28,461	31,225	33,812
61 - 90 days	17,948	18,548	21,373
91 - 120 days	32,865	16,353	21,368
Over 120 days	6,397	1,966	1,547
	123,024	105,988	133,731

(c) The carrying amount of trade and other payables is denominated in the following currencies:

	As at 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong dollars	146,961	133,499	169,642
United States dollars	–	40	135
Singapore dollars	–	5,421	9,962
Malaysian Ringgit	–	383	785
Renminbi	–	825	462
Japanese Yen	553	–	–
Euro	337	–	–
Taiwan New Dollars	–	–	416
Macau Patacas	–	–	159
	147,851	140,168	181,561

24 AMOUNTS DUE FROM/(TO) RELATED COMPANIES

	Maximum balance outstanding during					
	Year ended 30 April 2011	Year ended 30 April 2012	Year ended 30 April 2013	As at 30 April 2011	As at 30 April 2012	As at 30 April 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from:						
Japan Home Centre (Macau) Single-Member Company Limited	2,686	3,167	–	2,616	3,167	–
Quality Laundry Limited	20	282	–	20	282	–
				2,636	3,449	–
Amount due to:						
Japan Home Centre (Macau) Single-Member Company Limited				(93)	–	–

Mr. Lau Pak Fai, Peter and Ms. Ngai Lai Ha are directors of Japan Home Centre (Macau) Single-Member Company Limited and the company becomes a wholly-owned subsidiary of the Group since 15 April 2013.

Mr. Lau Pak Fai, Peter was director of Quality Laundry Limited until 6 December 2012, after which the company ceased to be a related company of the Group.

The balances with related companies are unsecured, interest-free and repayable on demand. The receivable balances are neither past due nor impaired and the related companies have no default history. The Group did not hold any collateral over the receivable balances.

The carrying values of amounts due from/to related companies approximate their fair values as at 30 April 2011 and 2012, and are denominated in Hong Kong dollars.

25 AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amounts due to non-controlling shareholders of subsidiaries are unsecured, interest free, repayable on demand and mainly denominated in Singapore dollars. Its carrying values at 30 April 2012 and 2013 approximate their fair values.

26 LOAN DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The loan due to a non-controlling shareholder of a subsidiary is unsecured, bearing interest at 2.5% per annum with its principal and interest repayable on 13 June 2014. The loan is denominated in Singapore dollar and its carrying value as at 30 April 2013 approximates its fair value.

27 AMOUNTS DUE FROM SHAREHOLDERS/TO DIRECTORS

	As at 30 April 2011	As at 30 April 2012	As at 30 April 2013
	HK$'000	*HK$'000*	*HK$'000*
Amounts due from shareholders	–	–	1,648
Amounts due to directors	(28)	(4)	–

The amounts due from shareholders/to directors are unsecured, interest-free, repayable on demand and denominated in Hong Kong dollars. Their carrying values due as at 30 April 2011 and 2012 approximate their fair values. The balance due to director was fully settled on 29 April 2013. The balances due from shareholders were fully settled before Listing.

28 BORROWINGS

	As at 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Non-current			
Finance lease liabilities *(a)*	827	176	–
Current			
Finance lease liabilities *(a)*	382	115	–
Mortgage loans which contain a repayment on demand clause *(b)*	5,399	4,315	3,221
Trust receipt loans, secured and contain a repayment on demand clause *(b)*	47,868	46,368	59,648
Bank overdrafts, secured	158	179	82
	53,807	50,977	62,951
Total	54,634	51,153	62,951

(a) Finance lease liabilities

The finance lease liabilities were repayable as follows:

	Minimum lease payments		
	As at 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
No later than 1 year	443	129	–
Later than 1 year and no later than 5 years	882	184	–
	1,325	313	–
Future finance charges on finance leases	(116)	(22)	–
Present value of finance lease liabilities	1,209	291	–
The present value of finance lease liabilities is as follows:			
No later than 1 year	382	115	–
Later than 1 year and no later than 5 years	827	176	–
	1,209	291	–

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessors in the event of default.

The lease liabilities are fully repaid during the year ended 30 April 2013.

(b) Secured bank loans

The secured bank loans were repayable as follow:

	As at 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	48,953	47,462	60,753
Between 1 and 2 years	1,095	1,105	1,117
Between 2 and 5 years	3,219	2,116	999
Wholly repayable within 5 years	53,267	50,683	62,869

Since the loan agreements for the above secured bank and trust receipt loans contained a repayment on demand clause that gives the lenders unconditional rights to call the loans at any time, the entire bank loans are therefore classified as current liabilities.

(c) Banking facilities

The secured bank loans and other banking facilities, including trust receipt loans and bank overdrafts, are secured by the followings:

(i) all leasehold land and buildings of the Group (note 13);

(ii) the Group's pledged bank deposits of HK$4,739,000, HK$3,666,000 and HK$6,511,000 as at 30 April 2011, 2012 and 2013 respectively (note 19);

(iii) personal guarantees jointly and severally provided by Mr. Lau Pak Fai, Peter and Ms. Ngai Lai Ha*; and

(iv) corporate guarantees provided by certain subsidiaries.

* The personal guarantees will be released if Listing occurs.

(d) The effective interest rates at the balance sheet date of the borrowings are as follows:

	At 30 April		
	2011	2012	2013
Finance lease liabilities	2.87%	2.85%	Nil
Mortgage loans	1.01%	1.05%	1.05%
Trust receipt loans	2.59%	2.60%	2.19%
Bank overdrafts	5.00%	5.00%	5.00%

(e) The carrying amounts of the borrowings approximate their fair values as at 30 April 2011, 2012 and 2013, and are denominated in the following currencies:

	At 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong dollars	22,934	20,908	23,925
Japanese Yen	5,954	9,500	6,100
Euro	443	367	729
British Pound	–	–	406
United States dollars	25,303	20,378	31,791
	54,634	51,153	62,951

29 NOTES TO COMBINED STATEMENTS OF CASH FLOWS

(a) Cash generated from operations:

	Year ended 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax	75,336	103,931	128,108
Adjustments for:			
– Gain on disposal of property, plant and equipment *(note b)*	–	(136)	(351)
– Loss on disposal of property, plant and equipment *(note b)*	790	449	394
– Depreciation	16,442	18,974	23,338
– Amortisation of trademark	–	294	632
– Interest income	(262)	(713)	(407)
– Interest expense	1,200	1,281	1,405
– Dividend income	(213)	(337)	(369)
– Unrealised fair value gains on financial assets at fair value through profit and loss	(1,245)	(835)	(3,234)
– Employee share-based compensation	70	320	734
– Realised gains on disposal of financial assets at fair value through profit and loss	–	(633)	–
– Goodwill written off	235	–	–
– Gain from bargain purchase	(434)	–	(325)
– Legal and professional fee incurred for initial public offering	–	–	4,267
Changes in working capital			
– Increase in inventories	(22,359)	(14,014)	(68,303)
– Increase in trade and other receivables	(6,162)	(12,733)	(10,844)
– Increase/(decrease) in trade and other payables	40,959	(8,763)	26,179
– Decrease in net amounts due to related companies	(107)	(906)	(118)
– Increase/(decrease) in amounts due to directors	28	(24)	(4)
– Increase in amount due from shareholders	–	–	(1,648)
– Increase/(decrease) in amount due to a non-controlling shareholder of a subsidiary	–	113	(114)
Cash generated from operations	104,278	86,268	99,340

(b) In the combined statements of cash flows, proceeds from sale of property, plant and equipment are analysed as follows:

	Year ended 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Net book amount *(note 13)*	962	1,030	693
Loss on disposal of property, plant and equipment	(790)	(449)	(394)
Gain on disposal of property plant and equipment	–	136	351
Proceeds from disposal of property, plant and equipment	172	717	650

30 DIVIDENDS

	Year ended 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Dividends	10,000	60,000	–

Matusadona declared interim dividends of HK$10,000,000 and HK$60,000,000 for the years ended 30 April 2011 and 2012 respectively at HK$1 and HK$6 per ordinary share.

At a meeting held on 28 June 2013, the Board proposed a final dividend of HK$96,000,000 at HK$$9.6 per ordinary share. The proposed dividend has not been reflected as a dividend payable in the Financial Information, but will be reflected as an appropriation of retained earnings for the year ending 30 April 2014.

31 COMMITMENTS

(a) Operating lease commitments - as lessee

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises, retail shops and warehouses as follows:

	As at 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
No later than one year	111,782	164,733	199,609
Later than one year and no later than five years	77,214	148,585	175,391
	188,996	313,318	375,000

Generally, the Group's operating leases have terms ranging from 1 to 6 years, certain operating cases have escalation clauses and renewable rights. The above lease commitments only include commitments for basic rentals, and do not include commitments for additional rental payable (contingent rents), if any, which are to be determined generally by applying pre-determined percentages to future sales, as it is not possible to determine in advance the amount of such additional rentals.

(b) Operating lease commitments - as lessor

At 30 April, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of sub-lease of certain spaces in retail shops as follows:

	As at 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
No later than one year	216	2,282	2,446
Later than one year and no later than five years	108	2,162	1,365
	324	4,444	3,811

32 CONTINGENT LIABILITIES

The Group's bankers have given guarantees in lieu of deposits amounting to approximately HK$8,400,000, HK$8,000,000 and HK$10,190,000 for the years ended 30 April 2011, 2012 and 2013 respectively to the Group's landlords and utility providers. These guarantees are counter indemnified by corporate guarantees and pledged deposits provided by certain subsidiaries.

33 BUSINESS COMBINATIONS

(a) Acquisition of JHC Plastics Limited ("Plastics") and JHC Mirror Limited ("Mirror")

On 31 August 2010, the Group acquired 60% equity interests in each of Plastics and Mirror respectively. Mr. Lau Pak Fai, Peter and Ms. Ngai Lai Ha are shareholders and directors of Plastics and Mirror at the time of the acquisition. Plastics and Mirror owns manufacturing facilities for production of mirror and plastic housewares products and the Group is their major customer. The Group expects to secure its source of merchandise from Plastics and Mirror through the business acquisition.

The following table summarises the consideration paid and the fair value of assets acquired, liabilities assumed and the non-controlling interests of Plastics and Mirror at the acquisition date respectively.

	Plastics	Mirror	Total
	HK$'000	*HK$'000*	*HK$'000*
Consideration:			
At 31 August 2010			
Cash	825	520	1,345
Total consideration	825	520	1,345
Recognised amounts of identifiable assets acquired and liabilities assumed			
Property, plant and equipment	841	374	1,215
Trade and other receivables	106	81	187
Amounts due from related companies	1,762	–	1,762
Inventories	399	412	811
Cash and cash equivalents/(bank overdrafts)	1,451	(135)	1,316
Trade and other payables	(1,824)	(166)	(1,990)
Amount due to a related company	–	(168)	(168)
Current tax liabilities	(566)	–	(566)
Deferred tax (liabilities)/assets	(71)	77	6
Total identifiable net assets	2,098	475	2,573
Non-controlling interest	(839)	(190)	(1,029)
(Gain from bargain purchase)/goodwill written off	(434)	235	(199)
	825	520	1,345
Acquisition of subsidiaries, net of cash acquired	(626)	655	29

In view of the future synergies that will be generated from the acquisition of Plastics and Mirror by the Group, the former shareholders, Mr. Lai Pak Fai, Peter and Ms. Ngai Lai Ha, who are also the ultimate controlling parties of the Group is willing to accept a bargain consideration.

Acquisition related costs of HK$3,000 have been charged to administrative and other operating expenses in the combined statement of comprehensive income for the year ended 30 April 2011 for the acquisitions.

The revenue included in the statement of comprehensive income for the period from the date of acquisition up to 30 April 2011 contributed by Plastics and Mirror was HK$247,000. Plastics and Mirror also contributed net profit of HK$38,000 over the same period.

Had Plastics and Mirror been consolidated from 1 May 2010, the pro-forma revenue and net profit contributed to the Group would have been HK$367,000 and HK$57,000 respectively for the year ended 30 April 2011.

(b) Acquisition of a housewares retail business in Singapore

On 1 November 2011, Japan Home (Retail) Pte. Limited ("JH Retail"), a 60% owned subsidiary of the Group acquired a housewares retail business in Singapore. The Group expected to establish a solid retail platform in Singapore through the business acquisition.

The following table summarises the consideration paid and the fair value of assets acquired, liabilities assumed and the non-controlling interests of JH Retail at the acquisition date.

	HK$'000
Consideration:	
At 1 November 2011	
Cash consideration	15,001
Consideration payable	5,332
Deferred share consideration	867
Total consideration	21,200
Recognised amounts of identifiable assets acquired	
Trademark	24,370
Property, plant and equipment	2,777
Inventories	7,820
Trade and other receivables	156
Cash and cash equivalents	184
Total identifiable net assets	35,307
Non-controlling interest	(14,107)
	21,200
Acquisition of business, net of cash acquired	14,817

Acquisition related costs of HK$1,550,000 have been charged to administrative and other operating expenses in the combined statement of comprehensive income for the year ended 30 April 2012 for the acquisition.

The revenue included in the statement of comprehensive income for the period from the date of acquisition up to 30 April 2012 contributed by the acquired business was HK$53,698,000. The acquired business also contributed net profit of HK$2,155,000 over the same period.

Had the acquired business been consolidated from 1 May 2011, the pro-forma revenue and profit contributed to the Group would have been HK$108,710,000 and HK$3,706,000 respectively for the year ended 30 April 2012.

(c) Acquisition of a housewares retail business in Mainland China

On 30 March 2012, Familj (China) Limited ("Familj"), a wholly-owned subsidiary of Matusadona acquired a housewares retail business in Mainland China.

As a result of the acquisition, the Group is expected to increase its presence in Mainland China markets. The goodwill of HK$727,000 arising from the acquisition is attributable to acquired leases and customer base. The goodwill recognised is not expected to be deductible for income tax purposes.

The following table summarises the consideration paid, the fair value of assets acquired assumed and the non-controlling interest of Familj at the acquisition date.

	HK$'000
Consideration:	
At 1 April 2012	
Cash	2,592
Consideration payable	492
Share option	371
Total consideration	3,455
Recognised amounts of identifiable assets acquired	
Cash and cash equivalents	2,540
Property, plant and equipment	329
Trade and other receivables	317
Total identifiable net assets	3,186
Non-controlling interest	(458)
Goodwill	727
	3,455
Acquisition of business, net of cash acquired	49

Acquisition related costs of HK$396,000 have been charged to administrative and other operating expenses in the combined statement of comprehensive income for the year ended 30 April 2012 for the acquisition.

The revenue included in the statement of comprehensive income for the period from the date of acquisition up to 30 April 2012 contributed by acquired business was HK$1,475,000. The acquired business also contributed loss of HK$1,168,000 over the same period.

As the financial information of the acquired business before the acquisition is not readily available, the amounts of revenue and profit had the acquired business been consolidated from 1 May 2011 is not disclosed.

(d) Acquisition of JHC (Taiwan) Limited

On 31 July 2012, the Group acquired 100% equity interests of JHC (Taiwan) Limited. Mr. Lau Pak Fai, Peter and Ms. Ngai Lai Ha are shareholders and directors of JHC (Taiwan) Limited before the acquisition.

As a result of the acquisition, the Group is expected to strengthen its merchandising function in Taiwan. The following table summaries the considerations paid and the fair value of assets acquired and liabilities assumed at the acquisition date.

	HK$'000
Consideration:	
At 31 July 2012	
Cash	257
Total consideration	257
Recognised amounts of identifiable assets acquired and liabilities assumed	
Trade and other receivables	247
Cash and cash equivalents	1,874
Trade and other payables	(1,488)
Current tax liabilities	(51)
Total identifiable net assets	582
Gain from bargain purchase *(note 7)*	(325)
	257
Acquisition of business, net of cash acquired	(1,617)

The former shareholders of JHC (Taiwan) Limited are also the ultimate controlling parties of the Group. They consider the acquisition will bring cost saving benefit to the Group and are willing to accept a bargain consideration in exchange for such benefits.

Acquisition related costs of HK$7,000 have been charged to administrative and other operating expenses in the combined statement of comprehensive income for the year ended 30 April 2013.

The revenue included in the statement of comprehensive income for the period from the date of acquisition up to 30 April 2013 contributed by JHC (Taiwan) Limited was HK$10,318,000, which was fully eliminated within the Group after acquisition. JHC (Taiwan) Limited also contributed profit of HK$140,000 over the same period.

Had JHC (Taiwan) Limited been consolidated from 1 May 2012, the pro-forma revenue and profit contributed to the Group would have been HK$15,666,000 and HK$416,000 respectively for the year ended 30 April 2013, with the pro-forma revenue fully eliminated within the Group after acquisition.

(e) Acquisition of Japan Home Centre (Macau) Single-Member Company Limited

On 15 April 2013, the Group acquired 100% equity interests of Japan Home Centre (Macau) Single-Member Company Limited ("JHC Macau"). Mr. Lau Pak Fai, Peter and Ms. Ngai Lai Ha were shareholders and directors of JHC Macau before the acquisition.

As a result of the acquisition, the Group is expected to expand its retail business in Macau. The goodwill of HK$5,931,000 arising from the acquisition is attributable to the management expectation for future profitability of the retail business in Macau. The following table summarises the considerations paid and the fair value of assets acquired and liabilities assumed at the acquisition date.

	HK$'000
Consideration:	
At 15 April 2013	
Cash	8,000
Total consideration	8,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	1,002
Inventories	3,448
Prepayment and other receivables	644
Cash and cash equivalents	4,278
Trade and other payables	(7,108)
Current tax liabilities	(195)
Total identifiable net assets	2,069
Goodwill	5,931
	8,000
Acquisition of subsidiary, net of cash acquired	3,722

Acquisition related costs of HK$66,000 have been charged to administrative and other operating expenses in the combined statement of comprehensive income for the year ended 30 April 2013.

The revenue included in the statement of comprehensive income for the period from the date of acquisition up to 30 April 2013 contributed by JHC Macau was HK$2,205,000. JHC Macau Limited also contributed profit of HK$402,000 over the same period.

Had JHC Macau been consolidated from 1 May 2012, the pro-forma revenue and profit contributed to the Group would have been HK$28,322,000 and HK$1,957,000 respectively for the year ended 30 April 2013.

34 SIGNIFICANT RELATED PARTY TRANSACTIONS

Other than those transactions or balances disclosed in note 24, 25, 26, 27 and 33 in the Financial Information, the following transactions were carried out with related parties in the normal course of the Group's business during the Relevant Periods:

Mr. Lau Pak Fai, Peter and Ms. Ngai Lai Ha are shareholders of the related companies of the Group during the Relevant Periods in (a) and (b) below.

(a) Sales of goods and services

	Note	Year ended 30 April 2011 HK$'000	2012 HK$'000	2013 HK$'000
Continuing transactions				
Sales of goods to related companies:				
– Japan Home Centre (Macau) Single-Member Company Limited, up to 15 April 2013	*(i)*	9,973	10,441	11,274
Sub-leasing rental income from a related company:				
– Quality Laundry Limited, up to 6 December 2012	*(ii)*	1,329	1,311	851
Management fee income:				
– Japan Home Centre (Macau) Single-Member Company Limited, up to 15 April 2013	*(iii)*	335	360	288
– Quality Laundry Limited, up to 6 December 2012	*(iii)*	240	120	72
– JHC (Investment) Limited	*(iii)*	–	10	10
– Mulan's Garden (HK) Limited	*(iii)*	–	20	20
– Hong Sing Investment Limited	*(iii)*	–	10	10
Discontinued transactions				
Maintenance fee income:				
– Japan Home Centre (Macau) Single-Member Company Limited, up to 15 April 2013	*(iii)*	14	–	–
Commission income from a related company:				
– Quality Laundry Limited, up to 6 December 2012	*(ii)*	32	–	–

Note:

(i) Sales to a related company are conducted in the normal course of business at terms mutually agreed with the relevant parties.

(ii) Sub-leasing rental income and commission income were charged based on the terms mutually agreed with the relevant parties.

(iii) Management fee income and maintenance fee income were charged based on terms mutually agreed between the relevant parties.

(b) Purchase of goods and services

	Note	Year ended 30 April 2011 HK$'000	2012 HK$'000	2013 HK$'000
Continuing transactions				
Sales rebate payable to a related company:				
– Japan Home Centre (Macau) Single-Member Company Limited, up to 15 April 2013	*(i)*	192	5	5
Purchase of goods from a related company:				
– JHC (Taiwan) Limited, up to 31 July 2012	*(i)*	6,121	10,128	5,358
Operating lease rentals in respect of retail shops to related companies:				
– Mulan's Garden (HK) Limited	*(ii)*	3,569	4,260	4,473
– JHC (Investment) Limited	*(ii)*	559	576	646
– Hong Sing Investment Limited	*(ii)*	350	5,658	7,037
– Seven Yield Company Limited	*(ii)*	180	–	–
– Charm Rainbow Limited	*(ii)*	–	870	1,740
– Hugo Grand Limited	*(ii)*	–	493	1,454
Commission payable to a related company:				
– JHC (Taiwan) Limited, up to 31 July 2012	*(ii)*	873	1,054	199

Note:

(i) Purchases from a related company are conducted in accordance with the terms contracted with respective parties.

(ii) Operating lease rentals and commission fee were charged based on terms mutually agreed between the relevant parties.

(c) Key management compensation

Key management includes directors and senior managements. The compensation paid or payable to key management for employee services is shown below:

	Year ended 30 April		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and bonus	7,226	8,401	10,932
Pension costs – defined contribution plans	108	111	151
Other long-term benefits	34	270	487
	7,368	8,752	11,570

35 SEGMENT INFORMATION

The chief operating decision-maker ("CODM") has been identified as the executive directors of the Group. The executive directors review the Group's internal reporting in order to assess performance and allocate resources and has determined the operating segments based on these reports.

The executive directors considered the nature of the Group's business and determined that the Group has three reportable operating segments as follows:

(i) Retail*

(ii) Wholesales

(iii) Licencing and others

The executive directors assess the performance of the operating segments based on revenue and gross profit percentage of each segment. As the Group's resources are integrated and there are no discrete operating segment assets and liabilities for the retail and wholesales business segments reported to CODM, accordingly, no operating segment assets and liabilities are presented.

* Including consignment sales commission income.

Management reviews the Group's performance by business segments and geographical segments. Approximately 90% or more of the combined revenue, net profit or assets are contributed by the Group's business in Hong Kong, and each and every of the Group's non-Hong Kong operations does not meet the quantitative thresholds of "Reportable segments" under HKFRS 8.

(a) The segment information provided to the executive directors for the reportable segments for the year ended 30 April 2011 is as follows:

	Retail	Wholesales	Licencing and others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue (all from external customers)	987,536	29,343	687	1,017,566
Cost of sales	(563,731)	(22,419)	–	(586,150)
Segment results	423,805	6,924	687	431,416
Gross profit %	42.92%	23.60%	–	42.40%
Other income				16,535
Other gains, net				889
Distribution and advertising expenses				(20,775)
Administrative and other operating expenses				(351,791)
Operating profit				76,274
Finance income				262
Finance costs				(1,200)
Profit before income tax				75,336
Income tax expense				(12,890)
Profit for the year				62,446

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the years ended 30 April 2011, 2012 and 2013. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The turnover from the Group's largest customer amounted to less than 10% of the Group's total turnover for the years ended 30 April 2011, 2012 and 2013.

(b) The segment information provided to the executive directors for the reportable segments for the year ended 30 April 2012 is as follows:

	Retail	Wholesales	Licencing and others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue (all from external customers)	1,177,716	32,908	598	1,211,222
Cost of sales	(646,909)	(25,922)	–	(672,831)
Segment results	530,807	6,986	598	538,391
Gross profit %	45.07%	21.23%	–	44.45%
Other income				18,194
Other gains, net				1,155
Distribution and advertising expenses				(25,099)
Administrative and other operating expense				(428,142)
Operating profit				104,499
Finance income				713
Finance costs				(1,281)
Profit before income tax				103,931
Income tax expense				(17,401)
Profit for the year				86,530

(c) The segment information provided to the executive directors for the reportable segments for the year ended 30 April 2013 is as follows:

	Retail	Wholesales	Licencing and others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue (all from external customers)	1,465,711	32,436	526	1,498,673
Cost of sales	(781,790)	(26,433)	–	(808,223)
Segment results	683,921	6,003	526	690,450
Gross profit %	46.66%	18.51%	–	46.07%
Other income				17,073
Other gains, net				4,642
Distribution and advertising expenses				(38,032)
Administrative and other operating expense				(545,027)
Operating profit				129,106
Finance income				407
Finance costs				(1,405)
Profit before income tax				128,108
Income tax expense				(24,939)
Profit for the year				103,169

(d) Revenue from external customers in the Mainland China, Singapore, Malaysia and Hong Kong are as follow:

	Year ended 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong – Retail	980,710	1,113,602	1,292,248
Hong Kong – Wholesales and others	30,030	33,506	32,837
Hong Kong – Consignment sales commission income	6,826	7,067	9,013
Mainland China	–	171	2,929
Singapore	–	53,698	146,221
Malaysia	–	3,178	13,220
Macau	–	–	2,205
	1,017,566	1,211,222	1,498,673

(e) The total of non-current assets, other than intangible assets and deferred income tax assets of the Group as at 30 April 2011, 2012 and 2013 are as follows:

	Year ended 30 April		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	70,768	79,751	81,706
Mainland China	–	702	1,994
Singapore	–	11,491	21,394
Malaysia	–	3,458	9,094
Macau	–	–	1,277
	70,768	95,402	115,465

36 NOTES TO THE COMPANY BALANCE SHEET

(a) Share capital

The share capital represents 1,000 shares with par value of HK$0.1 per share to the shareholders of the Company on 18 April 2013.

(b) Amount due to a subsidiary

The amount due to a subsidiary is interest-free, unsecured and repayable on demand and denominated in Hong Kong dollars.

37 SUBSEQUENT EVENTS

(a) Disposal of property

On 20 February 2013, a subsidiary of the Group entered into an agreement to dispose of an office premises located at 20/F, Tower B, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong, to Hugo Grand Limited, a company wholly-owned by Ms. Ngai Lai Ha, for the consideration of HK$60,000,000. The transaction was completed on 31 July 2013. In this connection, the property is classified as non-current assets held for sale as at 30 April 2013.

Upon completion, the estimated gain on disposal of the property is approximately HK$46,300,000.

On 27 August 2013, pursuant to a tenancy agreement, a subsidiary of the Group rented the same office premises from Hugo Grand Limited for a term of two years commencing from 1 August 2013.

(b) Special dividend

On 4 September 2013, Matusadona declared a special dividend of HK$55,000,000 to the shareholders whose names appear on the register of members on 2 September 2013 in proportion to their then respective shareholdings.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 April 2013 up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 April 2013.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The following information does not form part of the Accountant's Report prepared by PricewaterhouseCoopers, Certified Public Accountants, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the "Accountant's Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the 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 net tangible assets of the Group attributable to the equity holders of the Company as at 30 April 2013 as if the Global Offering had taken place on 30 April 2013.

This unaudited pro forma statement of adjusted 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 combined net tangible assets of the Group as at 30 April 2013 or at any future dates following the Global Offering. It is prepared based on the combined net assets of the Group as at 30 April 2013 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited combined net tangible assets of the Group attributable to equity holders of the Company as at 30 April 2013 (Note 1)	**Estimated net proceeds from the Global Offering (Note 2)**	**Unaudited pro forma adjusted combined net tangible assets attributable to equity holders of the Company**	**Unaudited pro forma adjusted net tangible assets per Share (Note 3)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Based on an Offer Price of HK$2.22 per Share.....	232,228	367,858	600,086	0.83
Based on an Offer Price of HK$2.81 per Share.....	232,228	470,872	703,100	0.98

Notes:

(1) The audited combined net tangible assets attributable to the equity holders of the Company as at 30 April 2013 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to equity holders of the Company as at 30 April 2013 of HK$263,029,000 with an adjustment for the intangible assets as at 30 April 2013 of HK$30,801,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$2.22 and HK$2.81 per Share after deduction of the estimated underwriting fees and other related expenses (excluding approximately HK$8.70 million listing expenses which has been accounted for prior to 30 April 2013) payable by the Company and takes no account of any Shares which may be allotted and issued pursuant to the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 720,000,000 Shares were in issue assuming that the Global Offering has been completed on 30 April 2013 but takes no account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate to Issue Shares or the General Mandate to Repurchase Shares as described in the section headed "Share Capital" in this prospectus and any Shares which may be alloted and issued pursuant to the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.

(4) No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to 30 April 2013. In particular, the unaudited pro forma adjusted net tangible assets has not been adjusted for dividends of HK$151,000,000 declared and paid by the Group subsequent to 30 April 2013. Had the dividends been taken into account the unaudited pro forma adjusted net tangible assets per Share would be reduced to HK$0.62 and HK$0.77 based on the Offer Price of HK$2.22 and HK$2.81 per Share respectively.

B. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

TO THE DIRECTORS OF INTERNATIONAL HOUSEWARES RETAIL COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of International Housewares Retail Company Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 April 2013 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 12 September 2013, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 and II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as of 30 April 2013 as if the proposed initial public offering had taken place at 30 April 2013. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended 30 April 2013, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 30 April 2013 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants
Hong Kong, 12 September 2013

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 April 2013 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 4 September 2013. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company.

Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such

employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly

authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of not less than twenty-one (21) clear days. All other extraordinary general meetings shall be called by notice of not less than fourteen (14) clear days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is

kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by 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 twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses

shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association

or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 30 April 2013.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of 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.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. 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.

FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Islands Company Law as an exempted company with limited liability on 18 April 2013.

Our Company has established its principal place of business in Hong Kong at 20/F., Tower B, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong and was registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 13 May 2013. In connection with such registration, our Company has appointed Mr. Lau of 20/F., Tower B, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong as an authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, its operations are subject to the relevant laws and regulations of the Cayman Islands and to its constitution, which comprises the Memorandum and the Articles. A summary of various provisions of its constitution and certain relevant aspects of the Cayman Islands Company Law is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company

As at the date of incorporation of our Company, its authorised share capital was HK$390,000 divided into 3,900,000 Shares of par value of HK$0.10 each. On 18 April 2013, one subscriber's Share was transferred to Hiluleka. On the same day, our Company issued and allotted nil paid, 599 Shares to Hiluleka and 400 Shares to Red Home.

On 4 September 2013, the authorised share capital of our Company was increased from HK$390,000 divided into 3,900,000 Shares to HK$1,000,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,996,100,000 Shares. On 10 September 2013, the 1,000 Shares issued nil paid in the name of Hiluleka and Red Home were credited as fully paid.

Assuming that Capitalisation Issue are made and immediately following completion of the Global Offering, but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the authorised share capital of our Company will be HK$1,000,000,000 divided into 10,000,000,000 Shares and the issued share capital of our Company will be HK$72,000,000 divided into 720,000,000 Shares, all fully paid or credited as fully paid. Other than any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, there is no present intention to issue any part of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as aforesaid and disclosed in the section headed "Further information about our Group – Reorganisation" below, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of all the Shareholders passed on 4 September 2013

On 4 September 2013, written resolutions of all the Shareholders were passed pursuant to which, amongst other things:

(a) our Company approved and adopted the Memorandum and the Articles;

(b) the authorised share capital of our Company was increased from HK$390,000 divided into 3,900,000 Shares to HK$1,000,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,996,100,000 Shares;

(c) conditional upon the same conditions to be satisfied and/ or waived as stated in the section headed "Structure of the Global Offering" in this prospectus:

(i) the Global Offering and the grant of the Over-Allotment Option by the Selling Shareholder were approved and our Directors were authorised to approve the allotment and issue of new Shares which may be required to be issued under the Global Offering;

(ii) the rules of the Pre-IPO Share Option Scheme, the principal terms of which are set out in the section headed "Pre-IPO Share Option Scheme" below, were approved and adopted and our Directors or any such committee thereof were authorised to approve any amendments of the rules of the Pre-IPO Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion, subject to the terms and conditions of the Pre-IPO Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and to take all such steps as may be necessary, expedient or desirable to implement the Pre-IPO Share Option Scheme;

(iii) the rules of the Share Option Scheme, the principal terms of which are set out in the section headed "Share Option Scheme" below, were approved and adopted and our Directors or any such committee thereof were authorised to approve any amendments of the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, expedient or desirable to implement the Share Option Scheme;

(iv) conditional upon the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise the amount of HK$53,000,000 from the amount standing to the credit of the share premium account of our Company to pay up in full at par 530,000,000 Shares for allotment and issue to the person(s) whose name(s) appear(s) on the register of members of our Company at the close of business on 4 September 2013, pro-rata to its/their then respective shareholdings in our Company;

(d) a general unconditional mandate was granted to our Directors to allot, issue and deal with, otherwise than by way of rights issue, or scrip dividend schemes or similar arrangements in accordance with the Articles, or grant of options under the Pre-IPO Share Option Scheme and the Share Option Scheme, or pursuant to the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, or any other share option scheme or similar arrangement for the time being adopted, or any issue of Shares upon exercise of rights of subscription or conversion attaching to warrants of our Company of any securities (if any) which are convertible into Shares, or under the Global Offering, Shares with an aggregate nominal value not exceeding the sum of (a) 20% of the total nominal amount of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme); and (b) the total nominal amount of the Shares repurchased by our Company pursuant to the mandate granted to our Directors referred to in paragraph (e) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by applicable laws or the Articles to be held, or the passing of an ordinary resolution by the Shareholders in general meeting renewing, revoking or varying the mandate granted to our Directors, whichever occurs first;

(e) a general unconditional mandate was granted to our Directors to exercise all the powers of our Company to repurchase Shares on the Stock Exchange and/or on any other stock exchange on which the Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules, with a total nominal value of not exceeding 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be issued and allotted pursuant to the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the applicable laws or the Articles to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the mandate granted to our Directors, whichever occurs first; and

(f) the extension of the general unconditional mandate granted to our Directors pursuant to paragraph (d) above by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed (conditionally or unconditionally) to be allotted or issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares repurchased pursuant to the mandate to repurchase Shares referred to in paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be issued and allotted pursuant to the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme).

4. Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalize our Group's structure in preparation for the listing of the Shares on the Main Board. The Reorganisation involved the following:

(a) the incorporation of the Company on 18 April 2013 by Hiluleka and Red Home which were held by them in the shareholding proportion of 60% and 40% respectively;

(b) the authorized share capital of our Company was increased from HK$390,000 divided into 3,900,000 Shares to HK$1,000,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,996,100,000 Shares on 4 September 2013; and

(c) the acquisition of 6,000,000 shares and 4,000,000 shares in the issued shares of Matusadona by our Company from Hiluleka and Red Home respectively (representing 60% and 40% of its total issued shares respectively) on 10 September 2013, in the consideration of the issue and allotment of 5,999,400 new Shares to Hiluleka and 3,999,600 new Shares to Red Home, all credited as fully paid.

5. Changes in the share capital of the subsidiaries of our Company

The subsidiaries of our Company are listed in the accountant's report of our Company, the text of which is set out in Appendix I to this prospectus. In addition to the alterations disclosed in paragraph 4 above, the following alterations in the share capital of the subsidiaries of our Company took place within two years immediately preceding the date of this prospectus:

(a) Familj

On 7 November 2011, Familj was incorporated in Hong Kong with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1 each, of which 100 shares were issued and allotted to JHC (Management) on its date of incorporation. On 8 December 2011, 2 shares of Familj were issued and allotted to Mr. Lin Ming Feng for a consideration of HK$1. On 28 March 2012, each share of Familj of HK$1 each was sub-divided into 10 shares of HK$0.10 each. On 29 March 2012, the authorised share capital of Familj was increased to HK$292,000 divided into 2,920,000 shares of HK$0.10 each. On 30 March 2012, 2,499,000 shares and 419,980 shares of Familj were issued and allotted to JHC (Management) and Mr. Lin Ming Feng for considerations of HK$3,083,921 and HK$101,404 respectively.

(b) JHC (China)

On 24 October 2011, JHC (China) was incorporated in Hong Kong with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1 each, of which 100 shares were issued and allotted to JHC (Management) on its date of incorporation.

(c) JHC (Singapore)

On 8 September 2011, JHC (Singapore) was incorporated in Singapore with the issue and allotment of 2 shares to JHC (Management) at an issue price of SGD1 each. On 11 October 2011, 999,998 shares were issued and allotted to JHC (Management) at an issue price of SGD1 each. On 28 October 2011, 2,322,500 shares were issued and allotted to JHC (Management) at an issue price of SGD1 each. On 1 November 2011, 2,215,000 shares were issued and allotted to Japan Home Pte Ltd at an issue price of SGD1 each as partial consideration for the transfer of Japan Home Pte Ltd's business to JHC Singapore. On 26 March 2013, (i) 135,000 shares were issued and allotted to Japan Home Pte Ltd at an issue price of SGD1 each as partial consideration for the transfer of Japan Home Pte Ltd's business to JHC (Singapore), and (ii) 202,500 shares were issued and allotted to JHC (Management) at an issue price of SGD1 each.

(d) JHC (Malaysia)

On 12 August 2011, JHC (Malaysia) was incorporated in Malaysia with an authorised share capital of MYR100,000 divided into 100,000 shares of MYR1 each, of which each of Mr. Lim Shek Han and Ms. Hon Siew Wein had been allotted and issued 1 share. On 6 December 2011, the authorised share capital of JHC (Malaysia) was increased to MYR5,000,000. On 6 December 2011, 1,140,000 shares of JHC (Malaysia) were allotted and issued to JHC (Management). On 12 December 2011, 59,998 shares of JHC (Malaysia) were allotted and issued to Mr. Lim Shek Han. On 23 March 2012, 600,000 shares of JHC (Malaysia) were allotted and issued to Mr. Lim Shek Han and Ms. Hon Siew Wein respectively. On 10 May 2013, 264,558 shares and 1,806,927 shares of JHC (Malaysia) were allotted and issued to JHC (Management) and Mr. Chin Chain Yong, respectively.

(e) Living Plus Trading (Shenzhen) Company Limited* (泛美家貿易(深圳)有限公司)

On 21 June 2011, Living Plus Trading (Shenzhen) Company Limited* (泛美家貿易(深圳)有限公司) was established in the PRC with a registered capital of HK$1,000,000.

(g) Living Plus (Nanjing)

On 2 March 2012, Living Plus (Nanjing) was established in the PRC with a registered capital of US$1,000,000. On 4 September 2013, the registered capital of Living Plus (Nanjing) was increased to US$2,000,000.

Save as disclosed herein, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

* *For identification purpose only*

6. Further information about our Group's PRC establishments

Our Group has interest in the registered capital of two PRC subsidiaries. A summary of the corporate information of such PRC subsidiaries as at the Latest Practicable Date is set out as follows:

(a) ***泛美家貿易(深圳)有限公司***

(i)	Name of the enterprise:	泛美家貿易(深圳)有限公司 (Living Plus Trading (Shenzhen) Company Limited*)
(ii)	Date of establishment:	21 June 2011
(iii)	Economic nature:	Wholly-owned by a corporation in Taiwan, Hong Kong or Macau (台港澳法人獨資)
(iv)	Registered owner:	JHC (Management)
(v)	Total investment:	HK$1,000,000
(vi)	Registered capital:	HK$1,000,000
(vii)	Attributable interest to our Group:	100%
(viii)	Term of operation:	From 21 June 2011 to 21 June 2031

(b) ***易生活(南京)百貨有限公司***

(i)	Name of the enterprise:	易生活(南京)百貨有限公司 (Living Plus (Nanjing) Limited*)
(ii)	Date of establishment:	2 March 2012
(iii)	Economic nature:	Wholly-owned by a corporation in Taiwan, Hong Kong or Macau (台港澳法人獨資)
(iv)	Registered owner:	Familj
(v)	Total investment:	US$2,800,000
(vi)	Registered capital:	US$2,000,000
(vii)	Attributable interest to our Group:	85.6%
(viii)	Term of operation:	From 2 March 2012 to 1 March 2027

7. Repurchase by our Company of its own securities

This paragraph includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

* *For identification purpose only*

(a) Regulations of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

Note: Pursuant to the written resolutions of all Shareholders passed on 4 September 2013, the Repurchase Mandate was granted to our Directors authorising any repurchase by our Company of Shares as described in the section headed "Further information about our Group – Written resolutions of all the Shareholders passed on 4 September 2013" above.

(b) 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 Shares to our Company or its subsidiaries if the Repurchase Mandate is exercised.

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, the Memorandum, the Articles and the applicable laws of the Cayman Islands.

No connected person of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event the Repurchase Mandate is exercised.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Code on Takeovers and Mergers of Hong Kong (the "Takeovers Code"). Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases made pursuant to the Repurchase Mandate immediately after Listing.

No repurchase of Shares has been made since the incorporation of our Company.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

8. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business of our Group) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) a sale and purchase agreement dated 5 October 2011 (the "Sale and Purchase Agreement") entered into among Japan Home Pte Ltd, JHC (Singapore), JHC (Management) and Mr. Chin Chain Yong pursuant to which Japan Home Pte Ltd agreed to sell and JHC (Singapore) agreed to purchase the business of retail sale and wholesale of houseware and other products sold by Japan Home Pte Ltd (the "Business") at a consideration of (i) the cash sum equal to SGD2,025,000 (subject to adjustments) and (ii) the sum of SGD2,350,000 to be satisfied by allotting and issuing to Japan Home Pte Ltd 2,350,000 shares of JHC (Singapore);

(b) a shareholders' agreement dated 5 October 2011 entered into among the same parties to the Sale and Purchase Agreement, pursuant to which the parties agreed to operate JHC (Singapore) as a joint venture company for the purpose of carrying on the Business;

(c) a shareholders' agreement dated 13 August 2013 entered into among JHC (Management), Mr. Lim Shek Han ("Mr. Lim"), Mr. Chin Chain Yong ("Mr. Chin") and JHC (Malaysia), pursuant to which the parties agreed to regulate the affairs of JHC (Malaysia) and the respective rights of Mr. Chin, JHC (Management) and Mr. Lim as shareholders of JHC (Malaysia);

(d) a sale and purchase agreement dated 10 September 2013 executed by the Company as purchaser, Hiluleka and Red Home as vendors and each of Mr. Lau, Ms. Ngai, Hiluleka and Red Home as warrantors, pursuant to which the Company acquired (i) from Hiluleka 6,000,000 shares in Matusadona at a consideration of issuing and allotting 5,999,400 new Shares in return to Hiluleka; and (ii) from Red Home 4,000,000 shares in Matusadona at the consideration of issuing and allotting 3,999,600 new Shares in return to Red Home, all credited as fully paid;

(e) the Deed of Non-Competition dated 10 September 2013 between the Controlling Shareholders and the Company, details of which are set out in the section headed "Relationship with Controlling Shareholders – Non-competition undertakings";

(f) the deed of indemnity dated 10 September 2013 executed by the Controlling Shareholders and Red Home in favour of our Company (for itself and as trustee for each of its subsidiaries stated therein) containing (i) the indemnities in respect of taxation and (ii) other indemnities as more particularly set out in the sub-section headed "Other information – Tax and other indemnities and estate duty" in this Appendix;

(g) a cornerstone investment agreement dated 10 September 2013 entered into between the Company, the Sole Global Coordinator and LIM Asia Special Situations Master Fund Limited, details of which are included in the section headed "Cornerstone Investor" of this prospectus; and

(h) the Hong Kong Underwriting Agreement dated 11 September 2013, details of which are set out in the section headed "Underwriting" in this prospectus.

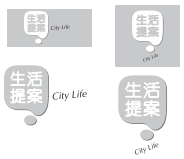
* *For identification purpose only*

9. Intellectual property rights of our Group

(a) Trade marks

As at the Latest Practicable Date, our Group has registered the following trade marks:

Trade mark	Registered owner	Class	Place of registration	Registration no.	Duration of validity
A 日本城 B 日本城 C 日本城	JHC (HK)	16, 18, 20, 21, 24, 27	Hong Kong	300122048	4 December 2003 to 3 December 2013 (renewal granted for a period of 10 years from 3 December 2013)
peter bear peter bear peter bear peter bear	JHC (HK)	16, 18, 20, 21, 24, 27	Hong Kong	300122057	4 December 2003 to 3 December 2013
japanhome japanhome japanhome japanhome	JHC (International)	16, 18, 20, 21, 24, 27	Hong Kong	300448722	30 June 2005 to 29 June 2015
A Epo 文具世代 C Epo 文具世代 B D	JHC (International)	16	Hong Kong	301050867	14 February 2008 to 13 February 2018
A ECOPAL B ECOPAL	JHC (International)	16	Hong Kong	301108700	5 May 2008 to 4 May 2018
EZ KEEP	JHC (International)	21	Hong Kong	301108719	5 May 2008 to 4 May 2018
J·H·E J·H·E	JHC (International)	11	Hong Kong	301249236	1 December 2008 to 30 November 2018
peter BEAR	JHC (International)	21	Hong Kong	301405665	13 August 2009 to 12 August 2019
KO	JHC (International)	21	Hong Kong	301504458	21 December 2009 to 20 December 2019

Trade mark	Registered owner	Class	Place of registration	Registration no.	Duration of validity
	JHC (International)	21	Hong Kong	301521765	14 January 2010 to 13 January 2020
	JHC (HK)	9, 14	Hong Kong	302393587	28 September 2012 to 27 September 2022
	JHC (HK)	20, 35	Hong Kong	302393631	28 September 2012 to 27 September 2022
	JHC (HK)	35	Hong Kong	302393659	28 September 2012 to 27 September 2022
	JHC (HK)	9, 14	Hong Kong	302393668	28 September 2012 to 27 September 2022
	JHC (HK)	18	Hong Kong	302393820	28 September 2012 to 27 September 2022
	JHC (HK)	16	Hong Kong	302393811	28 September 2012 to 27 September 2022
	JHC (HK)	24	Hong Kong	302406762	16 October 2012 to 15 October 2022
	JHC (HK)	24	Hong Kong	302406771	16 October 2012 to 15 October 2022
	JHC (HK)	21	Hong Kong	302406825	16 October 2012 to 15 October 2022
	JHC (HK)	6, 21	Hong Kong	302406834	16 October 2012 to 15 October 2022
	JHC (HK)	16	Hong Kong	302406843	16 October 2012 to 15 October 2022
	JHC (HK)	28	PRC	3308210	7 April 2004 to 6 April 2014
	JHC (HK)	21	PRC	3308211	14 November 2004 to 13 November 2014

Trade mark	Registered owner	Class	Place of registration	Registration no.	Duration of validity
泛美家 Living plus	Familj	35	PRC	10613060	7 May 2013 to 6 May 2023
泛美家	Familj	35	PRC	10613028	7 May 2013 to 6 May 2023
Living plus	Familj	6	PRC	10612918	7 May 2013 to 6 May 2023
Living plus	Familj	11	PRC	10613003	7 May 2013 to 6 May 2023
Living plus	Familj	14	PRC	10618362	21 June 2013 to 20 June 2023
Living plus	Familj	16	PRC	10618538	14 June 2013 to 13 June 2023
Living plus	Familj	25	PRC	10618564	14 June 2013 to 13 June 2023
Living plus	Familj	26	PRC	10618571	14 June 2013 to 13 June 2023
Living plus	Familj	35	PRC	10618582	14 June 2013 to 13 June 2023
Living plus	Familj	8	PRC	10612974	7 July 2013 to 6 July 2023
Living plus	Familj	18	PRC	10618552	7 July 2013 to 6 July 2023
生·活·提·案 City lifestyle	JHC (HK)	21	PRC	3308212	21 December 2004 to 20 December 2014
	JHC (Singapore)	21, 35	Singapore	T1112637D	13 September 2011 to 13 September 2021
	JHC (Singapore)	21, 35	Singapore	T1112636F	13 September 2011 to 13 September 2021

As at the Latest Practicable Date, our Group had applied for registration of the following trade marks:

Trade mark	Applicant	Class	Place of registration	Application no.	Application Date
本瓷	JHC (HK)	8, 11, 21	Hong Kong	302393677	28 September 2012
NaxoS	JHC (HK)	3, 18, 20, 21, 24	Hong Kong	302393695	28 September 2012
	JHC (HK)	21	Hong Kong	302406799	16 October 2012
MATSUSHO	JHC (HK)	9, 21	Hong Kong	302406780	16 October 2012
	JHC (HK)	21	Hong Kong	302406807	16 October 2012
peter bear ピーターベア	JHC (HK)	20, 21, 24	Hong Kong	302406816	16 October 2012
Timeline 美時	JHC (HK)	9, 14	Hong Kong	302570418	8 April 2013
Timeline	JHC (HK)	9, 14	Hong Kong	302570427	8 April 2013
炭之不思議	JHC (HK)	3	Hong Kong	302570436	8 April 2013
傢心俬 Furniture Idea	JHC (HK)	20, 35	Hong Kong	302570445	8 April 2013
悉心照顧每個家	JHC (HK)	35	Hong Kong	302623040	30 May 2013
	JHC (HK)	16, 18, 20, 21, 24, 27, 35	Hong Kong	302623059	30 May 2013
JHC JHC	JHC (HK)	16, 18, 20, 21, 24, 27, 35	Hong Kong	302623068	30 May 2013
A  B  C 	JHC (HK)	16, 18, 20, 21, 24, 27, 35	Hong Kong	302623077	30 May 2013

	Trade mark	Applicant	Class	Place of registration	Application no.	Application Date
A		JHC (HK)	35	Hong Kong	302623086	30 May 2013
B						
C						
A		JHC (HK)	16, 18, 20, 21, 24, 27, 35	Hong Kong	302623103	30 May 2013
B						

(b) Domain name

As at the Latest Practicable Date, our Group has registered the following domain name:

Domain name	Registered owner	Registration date	Expiry date
japanhomecentre.com.hk	JHC (HK)	29 March 2011	12 April 2023
jhc.com.hk	JHC (HK)	8 November 2012	8 November 2022
japanhome.com.hk	JHC (HK)	27 October 1999	1 October 2017

Note: Contents of the above websites do not form part of this prospectus.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

10. Particulars of Directors' service contracts

Executive Directors

Each of our executive Directors has entered into a service agreement with our Company pursuant to which each of them agreed to act as an executive Director for an initial term of three years commencing on the Listing Date unless (i) terminated by either party thereto giving not less than 3 months' prior written notice or (ii) our Director not being re-elected as a Director or being removed by Shareholders at general meeting of our Company in accordance with the Articles. Particulars of the service agreements of our Directors are in all material respects the same.

Each of our executive Directors shall be entitled to an annual salary as set out below, subject to an annual review by the remuneration committee of the Board. The basic annual salaries of our executive Directors are as follows:

Name	Annual Salary
	(HK$)
Mr. Lau	120,000
Ms. Ngai	120,000
Mr. Cheng Sing Yuk	120,000

Non-executive Directors

None of the non-executive Directors has entered into any service contract with the Group. Pursuant to the letter of appointment entered into between our Company and each of our non-executive Directors, each of our non-executive Directors has been appointed for an initial term of three years commencing from the Listing Date. Either our Company or the non-executive Director may give a 3 months' prior written notice to the other party for early termination of appointment.

Each of our non-executive Directors is entitled to a remuneration of HK$120,000 per annum. Save for such remuneration, none of our non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director.

Independent non-executive Directors

None of the independent non-executive Directors has entered into any service contract with the Group. Pursuant to the letter of appointment entered into between our Company and each of our independent non-executive Directors, each of our independent non-executive Directors has been appointed for an initial term of 1 year commencing from the Listing Date. Either our Company or the independent non-executive Director may give a 3 months' written notice to the other party for early termination of appointment.

The annual remuneration payable to the independent non-executive Directors ranges between HK$120,000 to HK$300,000. Save for such remuneration, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

11. Directors' remuneration

Remuneration of approximately HK$4.3 million, HK$4.6 million and HK$5.0 million in aggregate was paid by our Group to our Directors in respect of each of the three financial years ended 30 April 2011, 2012 and 2013 respectively.

Under the arrangements currently in force, the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (including our independent non-executive Directors) for the year ending 30 April 2014 are expected to be approximately HK$6 million.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 30 April 2013 as (i) an inducement to join or upon joining our Group; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any members of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any remuneration for each of the three years ended 30 April 2013.

12. Disclosure of interests

(a) Interests and short positions of our Directors in the shares, underlying shares or debentures of our Company and its associated corporations

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue (taking no account of any shares which may be sold by Red Home pursuant to the exercise of the Over-Allotment Option and any Shares which may be issued and allotted upon the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), the interests and short positions of our Directors and chief executive of our Company in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) once the Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, once the Shares are listed, or which will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to notify our Company and the Stock Exchange once the Shares are listed, will be as follows:

Name of Director	Name of Group member/ associated corporation	Long/Short Position	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of shareholding
Mr. Lau *(Note 1)*.....	Our Company	Long Position	Interest in a controlled corporation	324,000,000	45%
Ms. Ngai *(Note 2)*.....	Our Company	Long Position	Interest in a controlled corporation	324,000,000	45%
Mr. Cheng Sing Yuk *(Note 3)*	Our Company	Long Position	Personal Interest	1,134,000	0.16%

Note 1: As Mr. Lau controls more than one-third of the voting power in general meetings of Hiluleka, he is deemed to be interested in 324,000,000 Shares which will be beneficially owned by Hiluleka upon the Listing.

Note 2: As Ms. Ngai controls more than one-third of the voting power in general meetings of Hiluleka, she is deemed to be interested in 324,000,000 Shares which will be beneficially owned by Hiluleka upon the Listing.

Note 3: Pursuant to the Pre-IPO Share Option Scheme, options to subscribe for a total of 1,134,000 Shares was granted to Mr. Cheng Sing Yuk.

(b) Substantial Shareholders and other interests discloseable under the SFO

So far as is known to our Directors, immediately following completion of the Global Offering and the Capitalisation Issue (taking no account of any shares which may be sold by Red Home pursuant to the exercise of the Over-Allotment Option and any Shares which may be issued upon the exercise of options that have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), the following persons (other than a Director or the chief executive of our Company) will have an interest or short position in the shares and underlying shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

(i) Long positions in the Shares and underlying Shares of our Company

Name	Long/Short Position	Capacity/Nature of Interest	Number of Shares (immediately after completion of the Global Offering and the Capitalisation Issue but without taking into account the exercise of the Over-Allotment Option)	Approximate percentage of shareholding (immediately after completion of the Global Offering and the Capitalisation Issue but without taking into account the exercise of the Over-Allotment Option)
Hiluleka……	Long Position	Beneficial owner	324,000,000	45%
Red Home *(Note)*…	Long Position	Beneficial owner	180,000,000	25%
Home Holding Guernsey Limited ("Home Holding") *(Note)* ……	Long Position	Interest in a controlled corporation	180,000,000	25%
EQT Greater China II *(Note)*….	Long Position	Interest in a controlled corporation	180,000,000	25%

Note: Since EQT Greater China II holds 100% interest in Home Holding, which in turn holds more than one third of the voting power in general meeting of Red Home, therefore each of EQT Greater China II and Home Holding are deemed to be interested in 25% of the issued share capital of our Company immediately upon completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be sold by Red Home pursuant to the exercise of the Over-Allotment Option and the Shares to be issued upon the exercise of any options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme).

(ii) Substantial shareholders of other members of our Group

Name of shareholder	Name of member of our Group	Capacity	Approximate percentage of ownership held by the substantial shareholders
Suen Lap Che.....	JHC (Plastics)	Beneficial owner	40%
Ho Ying Chuen	JHC (Mirror)	Beneficial owner	20%
Kong Suk Ngan	JHC (Mirror)	Beneficial owner	20%
Japan Home Pte. Ltd...	JHC (Singapore)	Controlled corporation	40%
Chin Chain Yong.....	JHC (Malaysia)	Beneficial owner	40.41%
Lin Ming Feng.....	Familj	Beneficial owner	14.4%

13. Disclaimers

(a) Save as disclosed in "Interests and short positions of our Directors in the shares, underlying shares or debentures in our Company and its associated corporations" in this appendix, and taking no account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, none of our Directors or chief executive of our Company has any interest or short position in any shares, underlying shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Main Board;

(b) save as disclosed in "Substantial Shareholders and other interests discloseable under the SFO" in this appendix, and taking no account of any Shares which may be taken up or acquired under the Global Offering or issued upon the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering and the Capitalisation Issue, have an interest or short position in the shares or underlying shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 any other members of our Group;

(c) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Group and any of our Directors;

(d) none of our Directors nor any persons referred to in the paragraph headed ''Qualifications and consents of experts'' in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been within the two years immediately preceding the date of this prospectus acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired, disposed of by or leased to any member of our Group;

(e) save as disclosed in "Connected Transactions" in this prospectus and the paragraph headed "Summary of material contracts" in this appendix, none of our Directors nor any persons referred to in the paragraph headed ''Qualifications and consents 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 the business of our Group taken as a whole; and

(f) none of the person referred to in the paragraph headed ''Qualifications and consents of experts'' in this appendix has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

OTHER INFORMATION

14. Share Option Scheme

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted in compliance with Chapter 17 of the Listing Rules by a resolution in writing passed by all Shareholders on 4 September 2013. The following summary does not form, nor is intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to provide our Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants (as defined in paragraph (ii) below) and for such other purposes as the Board may approve from time to time.

(ii) Who may join

The Board may, at its discretion, invite any directors (excluding independent non-executive Directors), any senior managers or any employees (whether full-time or part-time) of each member of our Group provided that the Board shall have absolute discretion to determine whether or not one falls within the above categories; (together,

the "Participants" and each a "Participant"), to take up options to subscribe for Shares at a price determined in accordance with paragraph (vi) below. In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

(iii) Conditions

The Share Option Scheme shall take effect subject to the passing of an ordinary resolution approving the adoption of the Share Option Scheme by the Shareholders and authorising our Directors to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any options granted under the Share Option Scheme, and is conditional upon:

(aa) the Listing Committee granting approval of the listing of, and permission to deal in, (i) the Shares in issue and to be issued as mentioned in this prospectus and (ii) any Shares to be issued pursuant to the exercise of options under the Share Option Scheme, whether the granting of the listing and permission is subject to conditions or not;

(bb) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and

(cc) the commencement of dealings in the Shares on the Stock Exchange.

If the above conditions are not satisfied on or before the date which is 90 days after the date of this prospectus, the Share Option Scheme shall forthwith determine and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.

(iv) Duration and Administration

(aa) Subject to the fulfilment of the conditions in paragraph (iii) above and the termination provisions in paragraph (xvi) below, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on 4 September 2013, after which period no further options will be issued but in all other respects, subject to the compliance with the provisions of Chapter 17 under the Listing Rules, the provisions of the Share Option Scheme shall remain in full force and effect, and options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(bb) The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided in the Share Option Scheme) shall be final and binding on all parties.

(cc) Subject to compliance with the requirements of the Listing Rules and the provisions of the Share Option Scheme, the Board shall have the right (i) to interpret and construe the provisions of the Share Option Scheme; (ii) to

determine the persons who will be awarded options under the Share Option Scheme and the number of Shares to be issued under the option; (iii) to determine the price per Share at which a Grantee (as defined in paragraph (v) below) may subscribe for Shares on the exercise of an option (the "Subscription Price"); (iv) to make such appropriate and equitable adjustments to the terms of options granted under the Share Option Scheme as it deems necessary; and (v) to make such other decisions, determinations or regulations as it shall deem appropriate in the administration of the Share Option Scheme.

(v) Grant of options

(aa) On and subject to the requirements of the Listing Rules and the terms of the Share Option Scheme, the Board shall be entitled at any time, within 10 years after 4 September 2013 to make an offer of the grant of an option (the "Offer") to any Participant as the Board may in its absolute discretion select and subject to any such conditions as the Board may at its absolute discretion think fit, to subscribe for such number of Shares as the Board may (subject to paragraphs (ix) and (x) below) determine at the Subscription Price.

(bb) No Offer shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published pursuant to the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the Board (as such date is first notified by our Company to the Stock Exchange in accordance with 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 (ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no option may be granted.

(cc) An Offer shall be made to a Participant by letter in such form as the Board may from time to time determine (the "Offer Letter") specifying the number of Shares under the option, the Subscription Price, the vesting schedule (if any), the conditions to vesting (if any) and the Option Period (as defined in paragraph (vii) below) and requiring the Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme. An Offer must be made on a day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business and the Stock Exchange is open for business of dealing in securities (a "business day") and shall remain open for acceptance by the Participant concerned for a period (the "Acceptance Period") from the date on which an Offer is made to a Participant (the "Offer Date") to such date as the Board may determine and specify in the Offer Letter (both dates inclusive), provided that no such Offer shall be open for acceptance after the 10th anniversary from 4 September 2013 or after the Share Option Scheme has been terminated in accordance with the provisions hereof, whichever is earlier.

(dd) An Offer shall be deemed to have been accepted by any Participant who accepts the Offer in accordance with the terms of the Share Option Scheme (the "Grantee") and the option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the Offer Letter comprising acceptance of the Offer duly signed by the Grantee together with a remittance in favour of our Company of HK$1.00 by way of consideration for the granting thereof is received by our Company within the period as stipulated in sub-paragraph (cc) above and the option to which the offer relates shall be deemed to have been granted on the Offer Date. Such remittance shall in no circumstances be refundable or be considered as part of the Subscription Price.

(ee) Any Offer may be accepted by a Grantee in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of such number of Shares as representing board lot(s) for dealing in Shares on the Stock Exchange or an integral multiple thereof and the number of Shares in respect of which the Offer is accepted is clearly stated in the duplicate of the Offer Letter received by our Company as mentioned in sub-paragraph (dd) above. To the extent that the Offer is not accepted within the Acceptance Period and in the manner stipulated in sub-paragraph (dd) above, it will be deemed to have been irrevocably declined by the Grantee and the Offer will automatically lapse and become null and void.

(ff) Subject to the provisions of the Share Option Scheme and the Listing Rules, the Board may when making the Offer impose any conditions, restrictions or limitations in relation to the option as it may at its absolute discretion think fit.

(vi) Subscription Price

Subject to any adjustments made pursuant to paragraph (xi) below, the Subscription Price in respect of each Share issued pursuant to the exercise of the options granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a Participant and shall be at least the highest of:

(aa) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the Offer Date, which must be a business day, or if such date is not a Business Day, the next following business day;

(bb) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the Offer Date (provided that the new issue price shall be used as the closing price for any business day falling within the period before the Listing where our Company has been listed for less than 5 business days as at the Offer Date); and

(cc) the nominal value of a Share.

(vii) Exercise of options

(aa) An option shall be personal to the Grantee and shall not be assignable or transferable. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests (legal or beneficial) in favour of any third party over or in relation to any option or enter into any agreement to do so. Where the Grantee is a company, any change of its controlling shareholders or any substantial change in its management (which is to be determined by the Board at its absolute discretion) will be deemed to be a sale or transfer of interest aforesaid. Where the Grantee is a trust, any change of the beneficiary of the Grantee will be deemed to be a sale or transfer of interest aforesaid. Where the Grantee is a discretionary trust, any change of the discretionary objects of the Grantee will be deemed to be a sale or transfer of interest aforesaid. Any breach of the foregoing by a Grantee shall entitle the Company to forthwith cancel any outstanding option or part thereof of such Grantee (to the extent that it has not already been exercised) without incurring liability on the part of the Company.

(bb) Unless otherwise determined by the Board and specified in the Offer Letter at the time of the Offer, there is neither any performance target(s) that need to be achieved by the Grantee before an option can be exercised nor any minimum period for which an option must be held before the option can be exercised. An option may be exercised in whole or in part in the manner as set out in the Offer Letter, this sub-paragraph (bb) and the sub-paragraph (cc) below by the Grantee (or his personal representative(s)) giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the total Subscription Price for the Shares and the remittance in respect of which the notice is given. Subject to paragraph (xii) below, within 28 days after receipt of the notice and the remittance, where appropriate, receipt of the certificate of the independent financial adviser or the auditors for the time being of our Company pursuant to paragraph (xi) below, our Company shall allot and issue the relevant Shares to the Grantee (or his personal representative(s)) credited as fully paid and issue to the Grantee (or his personal representative(s)) a share certificate in respect of the Shares so allotted.

(cc) Subject to as hereinafter provided and subject to the terms and conditions upon which such option was granted, an option may be exercised by the Grantee at any time during a period to be determined by the Board at its absolute discretion and notified by the Board to each Grantee as being the period during which an option may be exercised and in any event, such period shall not be longer than 10 years from the Offer Date (the "Option Period") provided that:

(i) in the event the Grantee ceases to be a Participant for any reason other than on the Grantee's death or the termination of the Grantee's employment, directorship, office or appointment, the option granted to such Grantee shall lapse on the date of cessation (to the extent that it has not already been exercised) and will not be exercisable unless the Board otherwise determines to grant an extension at the discretion of

the Board in which event the Grantee may exercise the option in accordance with the provisions of sub-paragraph (bb) above within such period of extension and up to a maximum entitlement directed at the discretion of the Board on the date of grant of extension (to the extent that it has not already been exercised and subject to other terms and conditions decided at the discretion of the Board). For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the period of 1 month following the date on which the Grantee ceases to be a Participant, which date of cessation shall be the Grantee's last actual working day with the relevant company whether salary is paid in lieu of notice or not, or the last date of employment, office, directorship or appointment as director or employee of the relevant company, as the case may be, in the event of which, the date of cessation as determined by a resolution of the board of directors or governing body of the relevant company shall be conclusive;

(ii) in the event the Grantee dies before exercising the option in full and the Grantee remains to be an employee of the Company or a member of the Group before his death, the personal representative(s) of the Grantee shall be entitled within a period of 6 months or such longer period as the Board may determine from the date of death, to exercise the option up to the entitlement of such Grantee at the date of death (to the extent which has become exercisable and not already exercised) or, if appropriate, make an election pursuant to the sub-paragraphs (iii), (iv) or (v) below;

(iii) if a general offer is made to all the holders of Shares (other than by way of scheme of arrangement pursuant to sub-paragraph (iv) below) (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror (the "Dissenting Shareholders")) and if such offer becomes or is declared unconditional and the offeror is entitled to and does give notice pursuant to the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands to acquire Shares held by the Dissenting Shareholders prior to the expiry of the relevant Option Period, the Grantee (or his personal representative(s)) may by notice in writing to our Company within 21 days of the notice of the offeror exercise the option (to the extent which has become exercisable on the date of the notice of the offeror and not already exercised) to its full extent or to the extent specified in such notice;

(iv) if a general offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the Grantee (or his personal representative(s)) may thereafter (but only until such time as shall be notified by our Company, after which it shall lapse), by notice in writing to the Company, exercise the option (to the extent that it has become exercisable and has not already exercised) to its full extent or to the extent specified in such notice;

(v) other than a general offer contemplated in sub-paragraph (iii) or (iv) above, if a compromise or arrangement between our Company and the Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the Grantee on the same date as it dispatches the notice which is sent to each Shareholder or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee (or his personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court of competent jurisdiction, exercise any of his options (to the extent that it has become exercisable and has not already been exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. Our Company may require the Grantee (or his personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement; and

(vi) in the event of 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, other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, our Company shall on the same date as or soon after it dispatches such notice to convene the shareholders' meeting, give notice thereof to all Grantees and thereupon, each Grantees (or their legal personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to our Company (such notice to be received by our Company not later than 2 business days prior to the proposed general meeting of the Company) exercise the option (to the extent that it has become exercisable and has not already been exercised) either to its full extent or to the extent specified in such notice, such notice to be accompanied by a payment for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

(dd) The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Memorandum and the 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 their allotment and issue, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after

the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue, provided always that when the date of exercise of the option falls on a date upon which the register of Shareholders is closed then the exercise of the option shall become effective on the first business day in Hong Kong on which the register of Shareholders is re-opened.

(viii) Lapse of options

An option (whether vested or not) shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(aa) the expiry of the Option Period (subject to provisions of sub-paragraph(s) (iv) (aa) and (xiv));

(bb) the expiry of the period of extension (if any) referred to in sub-paragraph (vii) (cc) (i) above, where applicable;

(cc) the expiry of the periods referred to in sub-paragraphs (vii) (cc)(ii) or (iii) above;

(dd) subject to the scheme of arrangement as referred to in sub-paragraph (vii)(cc)(iv) above becoming effective, the expiry of the period referred to in sub-paragraph (vii)(cc)(iv) above;

(ee) subject to the compromise or arrangement referred to in sub-paragraph (vii)(cc)(v) above becoming effective, the expiry of the period referred to in sub-paragraph (vii)(cc)(v) above;

(ff) subject to sub-paragraph (vii)(cc)(ii) above, the date on which the Participant ceases to be an employee of the Company or any member of the Group for any reason;

(gg) the close of 2 business days prior to the general meeting of the Company held for the purpose of approving the voluntary winding-up of the Company or the date of the commencement of the winding-up of the Company;

(hh) the date on which the Board exercises the Company's right to cancel the option at any time after the Grantee commits a breach of sub-paragraph (vii) (aa) above; or

(ii) the date on which the option is cancelled by the Board as provided in paragraph (xv) below.

Our Company shall owe no liability to any Grantee for the lapse of any option under this paragraph (viii).

(ix) Maximum number of Shares available for subscription

(aa) Subject to sub-paragraph (bb) below:

(i) The total number of Shares, which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Company shall not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue, which is 72,000,000 Shares, unless our Company obtains a fresh approval from its Shareholders pursuant to sub-paragraphs (ii) or (iii) below. The options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating such 10% limit.

(ii) Our Company may seek approval of its Shareholders in general meeting for refreshing the 10% limit set out in sub-paragraph (i) above under the Share Option Scheme 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 any other share option schemes of our Company (or its subsidiary) under the limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of approval to refresh such limit. Options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes or exercised options) will not be counted for the purpose of calculating such limit as refreshed. In such a case, our Company shall send a circular to its Shareholders containing the information and disclaimer required under the Listing Rules.

(iii) Our Company may seek separate approval by its Shareholders in general meeting for granting options beyond the 10% limit provided that the options in excess of such limit are granted only to Participants specifically identified by our Company before such approval is sought. In such a case, our Company shall send a circular to its Shareholders containing, among other terms, a generic description of the specified Participant(s) who may be granted such options, the number of Shares subject to the options to be granted, the terms of the options to be granted, the purpose of granting options to the specified Participant(s), an explanation as to how the terms of the options serve such purpose and such other information as required under the Listing Rules.

(bb) Notwithstanding any provision in sub-paragraph (aa) above and subject to paragraph (xi), the limit on the 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 must not exceed 30% of the Shares in issue from time to time (or such higher percentage as may be allowed under the Listing Rules). No options may be granted under the Share Option Scheme and any other share option schemes of our Company (or its subsidiary) if this will result in such limit being exceeded.

(x) Maximum entitlement of Shares of each Participant

(aa) (i) Subject to sub-paragraphs (ii), (iii) and (iv) below, the total number of Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

(ii) Notwithstanding sub-paragraph (i) above, where any further grant of options to a Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant under the Share Option Scheme and any other share option schemes of our Company (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Participant and his associates abstaining from voting. The number of shares subject to the options to be granted to such Participant and the terms of the options to be granted to such Participant shall be fixed before shareholders' approval and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the Subscription Price. In such a case, our Company shall send a circular to its Shareholders containing, among other terms, the identity of such Participant, the number and the terms of the options to be granted (and options previously granted to such Participant) and such other information as required under the Listing Rules.

(iii) In addition to the above paragraph (ix) and sub-paragraphs (i) and (ii) above, any grant of options to a Participant who is a director, chief executive or substantial shareholder of our Company or their respective associates must be approved by the independent non-executive Directors of our Company (excluding independent non-executive Director who is a Grantee).

(iv) In addition to the above paragraph (ix) and sub-paragraphs (i) and (ii) above, where the Board proposes to grant any option to a Participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, which would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) to him in the 12-month period up to and including the date of such grant (the "Relevant Date"):

(aaa) representing in aggregate more than 0.1% of the total number of Shares in issue on the Relevant Date; and

(bbb) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Relevant Date in excess of HK$5,000,000,

such proposed grant of options must be approved by the Shareholders in general meeting. In such a case, our Company shall send a circular to its Shareholders containing all those information as required under the Listing Rules. All connected persons of our Company must abstain from voting in favour of the resolution at such general meeting (except that any connected person may vote against the relevant resolution provided that his intention to do so has been stated in the circular). Any vote taken at the meeting to approve the grant of such options must be taken on a poll.

(bb) Subject to the above sub-paragraphs (ix) (aa), (ix) (bb) and (x) (aa), in the event of any alteration in the capital structure of our Company whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of our Company or otherwise howsoever (other than as a result of an issue of Shares as consideration in a transaction), the maximum number of Shares referred to in the above sub-paragraphs (ix) (aa), (ix) (bb) and (x) (aa) will be adjusted in such manner as an independent financial adviser or the auditors for the time being of our Company (acting as experts and not as arbitrators) shall confirm to the directors of our Company in writing to be fair and reasonable and in compliance with the requirements under the Listing Rules.

(xi) Alteration of capital structure

In the event of any alteration in the capital structure of our Company whilst any option remains vested or has vested but not yet exercised, whether by way of capitalisation issue, rights issue, open offer, subdivision, consolidation, or reduction of the share capital of our Company or otherwise howsoever in accordance with the applicable legal requirements and requirements of the Stock Exchange (excluding any alteration in the capital structure of our Company as consideration in respect of a transaction to which our Company or any of its subsidiaries is a party or in connection with any share option or other equity incentive scheme of the Company), such corresponding alterations (if any) shall be made to:

(i) the number or nominal amount of Shares subject to the option so far as unexercised or exercised; and/or

(ii) the Subscription Price; and/or

(iii) the method of exercise of the option (if applicable);

as an independent financial adviser or the auditors for the time being of our Company shall at the request of the Board certify in writing to the directors of our Company, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable and that any such alterations shall satisfy the requirements set out in the note to Rule 17.03(13) of the Listing Rules and shall give a Grantee the same proportion of the issued share capital of our Company as that to which the Grantee was previously entitled, provided that no such alterations shall be made the effect of which

would be to enable a Share to be issued at less than its nominal value. The capacity of the independent financial adviser or the auditors for the time being of our Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the Grantees. The costs of the independent financial adviser or the auditors for the time being of our Company shall be borne by our Company. Notice of such alteration(s) shall be given to the Grantees by our Company.

(xii) Share Capital

The exercise of any option shall be subject to the Shareholders in a general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, the Board shall make available sufficient authorised but unissued share capital of our Company to meet subsisting requirements on the exercise of options.

(xiii) Disputes

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares, the amount of the Subscription Price or otherwise) shall be referred to the decision of the independent financial adviser appointed by our Company or the auditors for the time being of the Company who shall act as experts and not as arbitrators and whose decision shall be final and binding.

(xiv) Alteration of the Share Option Scheme

(aa) The provisions of the Share Option Scheme may be altered in any respect by resolution of the Board at its absolute discretion except that the provisions of the Share Option Scheme as to:

(i) the definitions of "Participant", "Grantee" and "Option Period" in paragraph (ii), sub-paragraphs (v) (dd) and (vii) (cc);

(ii) the provisions of the above sub-paragraphs (iv) (aa), (v) (aa), (bb) and (cc), paragraphs (vi), (vii), (viii), (ix), (x) and (xi) and this paragraph (xiv); and

(iii) all such other matters set out in Rule 17.03 of the Listing Rules,

shall not be altered to the advantage of the Participants except with the prior approval of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the affected Grantees as would be required of the Shareholders under the Articles for a variation of the rights attached to the Shares.

(bb) 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.

(cc) 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.

(dd) Any change to the authority of the directors of our Company or scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(xv) Cancellation of the options granted

The Board may, at any time at its absolute discretion cancel any option granted but not exercised. Where our Company cancels options and makes an Offer of the grant of new options to the same option holder, the Offer of the grant of such new options may only be made, under the Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the limit approved by the Shareholders as mentioned in the above paragraph (ix).

(xvi) Termination of the Share Option Scheme

Our Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme, and options which are granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme and their terms of issue.

(b) Present status of the Share Option Scheme

(i) Application for approval

Application has been made to the Listing Committee for the listing of and permission to deal in any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(ii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iii) Value of options

Our 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. Our 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.

15. Pre- IPO Share Option Scheme

A share option scheme was adopted in 2010 by Matusadona (the "2010 Scheme") with the aim to incentivize our employees. Immediately prior to completion of the Global Offering, Matusadona will terminate the 2010 Scheme and all participants will be transferred to the Pre-IPO Share Option Scheme. Pursuant to the written resolutions of the shareholders of our Company passed on 4 September 2013, the rules of the Pre-IPO Share Option Scheme were conditionally approved and adopted. The principal terms of the Pre-IPO Share Option Scheme are substantially similar as the terms of the Share Option Scheme except that:

(a) the total number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 8,424,000 Shares, representing approximately 1.17% of the enlarged issued share capital of the Company immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued and allotted upon the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme);

(b) save for the options which have been conditionally granted before the date of this prospectus, no further options will be granted under the Pre-IPO Share Option Scheme on or before the Listing Date; and

(c) the period during which an option under the Pre-IPO Share Option Scheme may be exercised shall not be longer than 8 years from the Listing Date.

Application has been made to the Listing Committee of the Stock Exchange for the approval of listing of and permission to deal in the 8,424,000 Shares to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

Outstanding options under the Pre-IPO Share Option Scheme

As at the date of this prospectus, options to subscribe for an aggregate of 8,424,000 Shares (representing approximately 1.17% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the Capitalisation Issue, without taking into account any Shares which may be issued and allotted upon any exercise of the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme) have been granted under the Pre-IPO Share Option Scheme. All the options under the Pre-IPO Share Option Scheme were conditionally granted on or before the date of this prospectus and no further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date.

Particulars of the outstanding options conditionally granted under the Pre-IPO Share Option Scheme are set out below:–

Name of Grantee	Residential Address	Position	Exercise prices (HK$)	Exercisable periods	Number of underlying Shares subject to outstanding options	Number of underlying Shares to be issued upon full exercise of the options under the Pre-IPO Share Scheme	Approximate percentage of issued share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue *(Note)*
Executive Director							
Cheng Sing Yuk	Flat 13B, Blk 3, 180 Pokfulam Road, H.K.	Executive Director and Financial Controller	1.04	Listing Date – 11.10.2018	178,200		
				12.10.2013 – 11.10.2018	91,800		
			1.39	Listing Date – 11.10.2019	142,560		
				12.10.2013 – 11.10.2019	142,560		
				12.10.2014 – 11.10.2019	146,880		
			1.86	16.10.2013 – 15.10.2020	142,560		
				16.10.2014 – 15.10.2020	142,560		
				16.10.2015 – 15.10.2020	146,880		
				Sub-total		**1,134,000**	**0.158%**
Senior Management							
Cheng Mei Chun, Ina	15A Tower 5, South Horizons, Apleichau, H.K.	Chief Operating Officer	1.39	Listing Date – 30.4.2020	142,560		
				1.5.2014 – 30.4.2020	142,560		
				1.5.2015 – 30.4.2020	146,880		
			1.86	16.10.2013 – 15.10.2020	267,300		
				16.10.2014 – 15.10.2020	267,300		
				16.10.2015 – 15.10.2020	275,400		
				Sub-total		**1,242,000**	**0.173%**
Tam Siu Wan	Flat G, 8/F, Blk 5, Flora Plaza, Fanling, H.K.	General Manager (HR & Operation)	1.04	Listing Date – 11.10.2018	178,200		
				12.10.2013 – 11.10.2018	91,800		
			1.39	Listing Date – 11.10.2019	89,100		
				12.10.2013 – 11.10.2019	89,100		
				12.10.2014 – 11.10.2019	91,800		
			1.86	16.10.2013 – 15.10.2020	89,100		
				16.10.2014 – 15.10.2020	89,100		
				16.10.2015 – 15.10.2020	91,800		
				Sub-total		**810,000**	**0.113%**
Cheung Wai Hung	Flat A, 10/F, Newton Harbour View Tower 2, 2 Shaukeiwan Main Street East, Shaukeiwan, H.K.	Senior Merchandising Manager	1.04	Listing Date – 11.10.2018	178,200		
				12.10.2013 – 11.10.2018	91,800		
			1.39	Listing Date – 11.10.2019	89,100		
				12.10.2013 – 11.10.2019	89,100		
				12.10.2014 – 11.10.2019	91,800		
			1.86	16.10.2013 – 15.10.2020	89,100		
				16.10.2014 – 15.10.2020	89,100		
				16.10.2015 – 15.10.2020	91,800		
				Sub-total		**810,000**	**0.113%**

Name of Grantee	Residential Address	Position	Exercise prices (HK$)	Exercisable periods	Number of underlying Shares subject to outstanding options	Number of underlying Shares to be issued upon full exercise of the options under the Pre-IPO Share Scheme	Approximate percentage of issued share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue *(Note)*
Man Siu Ling	Rm6, 12/F, Blk B, New Town Mansion, 2 Tuen Lee Street, N.T.	Senior Merchandising Manager	1.04	Listing Date – 11.10.2018	178,200		
				12.10.2013 – 11.10.2018	91,800		
			1.39	Listing Date – 11.10.2019	89,100		
				12.10.2013 – 11.10.2019	89,100		
				12.10.2014 – 11.10.2019	91,800		
			1.86	16.10.2013 – 15.10.2020	89,100		
				16.10.2014 – 15.10.2020	89,100		
				16.10.2015 – 15.10.2020	91,800		
					Sub-total	**810,000**	**0.113%**
Wong Kin Man	Flat F, 20/F, Lime Stardom, 1 Larch Street, Tai Kok Tsui, Kowloon, H.K.	Senior IT Manager	1.04	Listing Date – 11.10.2018	178,200		
				12.10.2013 – 11.10.2018	91,800		
			1.39	Listing Date – 11.10.2019	89,100		
				12.10.2013 – 11.10.2019	89,100		
				12.10.2014 – 11.10.2019	91,800		
			1.86	16.10.2013 – 15.10.2020	89,100		
				16.10.2014 – 15.10.2020	89,100		
				16.10.2015 – 15.10.2020	91,800		
					Sub-total	**810,000**	**0.113%**
Yip Yee Fan, Sandra	10G, Blk 2, South Horizons, Apleichau, H.K.	Senior Manager, Overseas Business Development	1.04	Listing Date – 11.10.2018	178,200		
				12.10.2013 – 11.10.2018	91,800		
			1.39	Listing Date – 11.10.2019	53,460		
				12.10.2013 – 11.10.2019	53,460		
				12.10.2014 – 11.10.2019	55,080		
			1.86	16.10.2013 – 15.10.2020	53,460		
				16.10.2014 – 15.10.2020	53,460		
				16.10.2015 – 15.10.2020	55,080		
					Sub-total	**594,000**	**0.083%**
Cheng Mei Lit	Flat K, 1/F Block K Bauhinia Gdn, 11 Tong Chun St, Tseung Kwan O, N.T.	Head of Retail Operation (Singapore and Malaysia)	1.86	16.10.2013 – 15.10.2020	35,640		
				16.10.2014 – 15.10.2020	35,640		
				16.10.2015 – 15.10.2020	36,720		
					Sub-total	**108,000**	**0.015%**
Other Employees							
Lin Mai Na	8FL-3, No.77-3 Chung Cheng East Road, Sec 2 Danshui New Taipei City, Taiwan ROC	Head of Purchasing (Greater China Division)	1.39	Listing Date – 11.10.2019	89,100		
				12.10.2013 – 11.10.2019	89,100		
				12.10.2014 – 11.10.2019	91,800		
			1.86	16.10.2013 – 15.10.2020	89,100		
				16.10.2014 – 15.10.2020	89,100		
				16.10.2015 – 15.10.2020	91,800		
					Sub-total	**540,000**	**0.075%**

Name of Grantee	Residential Address	Position	Exercise prices (HK$)	Exercisable periods	Number of underlying Shares subject to outstanding options	Number of underlying Shares to be issued upon full exercise of the options under the Pre-IPO Share Scheme	Approximate percentage of issued share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue *(Note)*
Woo Yau Shing	Flat A, 1/F Tower 4 Greenery Place, No 1 Town Park Road South, Yuen Long, N.T.	Senior Group Marketing and VM Manager	1.39	Listing Date – 11.10.2019	53,460		
				12.10.2013 – 11.10.2019	53,460		
				12.10.2014 – 11.10.2019	55,080		
			1.86	16.10.2013 – 15.10.2020	53,460		
				16.10.2014 – 15.10.2020	53,460		
				16.10.2015 – 15.10.2020	55,080		
				Sub-total		**324,000**	**0.045%**
Wong Chak Yiu	Flat H, 13/F, Blk 3, Tanner Gardens, 18 Tanner Road, H.K.	Senior Administration Manager	1.39	Listing Date – 11.10.2019	53,460		
				12.10.2013 – 11.10.2019	53,460		
				12.10.2014 – 11.10.2019	55,080		
			1.86	16.10.2013 – 15.10.2020	53,460		
				16.10.2014 – 15.10.2020	53,460		
				16.10.2015 – 15.10.2020	55,080		
				Sub-total		**324,000**	**0.045%**
Leung Man Wai Simon	Flat E, 33/F, Blk 5, Tsui Ning Garden, Tuen Mun, N.T.	Project Manager	1.39	Listing Date – 11.10.2019	53,460		
				12.10.2013 – 11.10.2019	53,460		
				12.10.2014 – 11.10.2019	55,080		
			1.86	16.10.2013 – 15.10.2020	53,460		
				16.10.2014 – 15.10.2020	53,460		
				16.10.2015 – 15.10.2020	55,080		
				Sub-total		**324,000**	**0.045%**
To Yuet Ling	Flat D, 7/F Blk 12, Fu Yar Yuen, 12 Chi Fu Road, H.K.	Senior Leasing Manager	1.39	Listing Date – 11.10.2019	53,460		
				12.10.2013 – 11.10.2019	53,460		
				12.10.2014 – 11.10.2019	55,080		
			1.86	16.10.2013 – 15.10.2020	53,460		
				16.10.2014 – 15.10.2020	53,460		
				16.10.2015 – 15.10.2020	55,080		
				Sub-total		**324,000**	**0.045%**
Lee Chui Har, Anita	9C Block 1, 18 Tsui Wan Street, Chai Wan, H.K.	Senior Human Resources Manager	1.86	16.10.2013 – 15.10.2020	53,460		
				16.10.2014 – 15.10.2020	53,460		
				16.10.2015 – 15.10.2020	55,080		
				Sub-total		**162,000**	**0.023%**
Chan Ka Lok	Flat E, 22/F, Block 1 Tai Wo Centre, Tai Po Tai Wo Road, Tai Po, N.T.	Senior Merchandising Manager	1.86	16.10.2013 – 15.10.2020	35,640		
				16.10.2014 – 15.10.2020	35,640		
				16.10.2015 – 15.10.2020	36,720		
				Sub-total		**108,000**	**0.015%**
				Total		**8,424,000**	**1.17%**

Note: Without taking into account any Shares which may be issued and allotted upon any exercise of the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.

Immediately following completion of the Global Offering and the Capitalisation Issue, the shareholding of the Shareholders would be diluted by approximately 1.17%.

Save as disclosed above, no other options have been granted or agreed to be granted by our Company under the Pre-IPO Share Option Scheme as at the date of this prospectus.

16. Tax and other indemnities and estate duty

The Controlling Shareholders and Red Home have, pursuant to the deed of indemnity referred to in sub-paragraph (f) of the paragraph headed ''Summary of material contracts'' of this Appendix, collectively given indemnities in respect of, among other things:

(a) taxation resulting from income, profits or gains earned, accrued or received on or before the date on which all of the conditions stated in the Underwriting Agreements having been fulfiled or waived prior to 8:00 a.m. on the Listing Date (the "Fulfilment Date"), save in the following circumstances:

(i) to the extent that full provision has been made for such liability, taxation or taxation claim in the audited combined accounts of the members of our Group or any of them for the Track Record Period;

(ii) to the extent that the taxation arises in the ordinary course of business of our Group and falls on any of the members of our Group in respect of their current accounting periods or any accounting period commencing on or after the Fulfilment Date;

(iii) to the extent that provision or reserve made for taxation in the audited accounts of the members of our Group or any of them for the Track Record Period are finally established to be an over-provision or an excessive reserve provided that the amount established to be the excessive portion of the over-provision or the excessive reserve shall only be applied to reduce the Controlling Shareholders' liability in respect of taxation up to HK$1,648,000; or

(iv) to the extent that any increase in the taxation claim or the amount of any increase in any taxation claim to the extent that such taxation claim or such increased amount of the taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any change in the law or regulations or in the rate of taxation coming into force on or after the Fulfilment Date with retrospective effect;

(b) any penalties, claims, actions, payments, demands, proceedings, judgments, settlement payments, losses, liabilities, damages, costs, charges, fees, expenses or fines (other than those having been paid or duly and sufficiently provided in the Accountant's Report set out in Appendix I to this prospectus) suffered or incurred by our Company and/or the relevant members of our Group as a result of directly or indirectly, or in connection with any failure or delay in attending tax filing in respect of the taxable income derived by any members of our Group on or before the Fulfilment Date;

(c) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses or fines of whatever nature suffered or incurred by our Company and/or the relevant members of our Group, as a result of directly or indirectly

or in connection with any non-compliance with the applicable laws, rules, code of conduct or regulations (including but not limited to the SFO) in relation to events occurred on or before the Fulfilment Date; or

(d) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses or fines suffered or incurred by our Company and/or the relevant members of our Group as a result of directly or indirectly or in connection with any litigation, proceeding, claim, investigation, inquiry, enforcement proceeding or process by any governmental, administrative or regulatory body which (i) members of our Group, their respective directors and/or licenced representatives or any of them is/are involved; and/or (ii) arises due to some act or omission of, or transaction voluntarily effected by, members of our Group or any of them (whether alone or in conjunction with some other act, omission or transaction) on or before the Fulfilment Date.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands or Hong Kong is likely to fall on our Group.

17. Litigation

Neither our Company nor any of its subsidiaries is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company or any member of our Group that would have a material adverse effect on the results of operations or financial condition of our Group.

18. Promoter

The Company has no promoter for the purpose of the Listing Rules. No cash, securities or other benefit had been paid, allotted or given within two years preceding the date of this prospectus, or proposed to be paid, allotted or given, to any promoter in connection with the Global Offering or the related transactions described in this prospectus.

19. Personal guarantees and mortgages

All personal guarantees given by two of our Directors and mortgages over real properties owned by them as security for any debts or liabilities incurred by any member of our Group will be released and replaced by corporate guarantees if the Listing occurs. Accordingly, none of our Directors will provide any personal guarantee as security for any debts or liabilities incurred by any member of our Group if the Listing occurs.

20. Agency fees or commissions received

The Underwriters will receive an underwriting commission, as mentioned in the section headed ‘‘Underwriting – Commission and Expenses’’ in this prospectus.

21. Related party transactions

During the two years immediately preceding the date of this prospectus, our Group engaged in the related party transactions as mentioned in Note 34 of the section headed “Significant Related Party Transactions” of the Accountant’s Report set out in Appendix I to this prospectus and the section headed “Connected Transactions” of this prospectus.

22. Preliminary expenses

The preliminary expenses of our Company were estimated to be approximately HK$40,000 and were payable by our Group.

23. Selling Shareholder

Name:	Red Home
Place of incorporation:	Cayman Islands
Registered office:	Fourth Floor, One Capital Place P.O. Box 847, Grand Cayman KY1-1103, Cayman Islands
Nature of business:	Investment holding
Number of Shares to be sold:	36,000,000 Shares if the Over-Allotment Option is not exercised or up to 68,400,000 Shares if the Over-Allotment Option is fully exercised

24. Qualifications and consents of experts

The qualifications of the experts who have given opinions or whose advices and names are referred to in this prospectus are as follows:

Name	Qualification
BOCI Asia Limited	Licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Conyers Dill & Pearman (Cayman) Limited.....	Cayman Islands attorneys-at-laws
Fangda Partners	PRC legal advisers
Adnan Sundra & Low.....	West Malaysian legal advisers
Russell Bedford Hong Kong Limited.....	Hong Kong tax adviser and representative
American Appraisal China Limited.....	Independent property valuer

Each of BOCI Asia Limited, PricewaterhouseCoopers, Conyers Dill & Pearman (Cayman) Limited, Fangda Partners, Adnan Sundra & Low, Russell Bedford Hong Kong Limited and American Appraisal China Limited has given and has not withdrawn its written consents to the

issue of this prospectus with the inclusion of its reports and/or letters and/or valuation and/or opinions (as the case may be) and/or the references to its name in the form and context in which they are respectively included.

None of BOCI Asia Limited, PricewaterhouseCoopers, Conyers Dill & Pearman (Cayman) Limited, Fangda Partners, Adnan Sundra & Low, Russell Bedford Hong Kong Limited and American Appraisal China Limited:

(i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

25. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

26. Bilingual prospectus

Pursuant to Rule 11.14 of the Listing Rules and section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this prospectus are being published separately but are available to the public at the same time.

27. Miscellaneous

(a) Save as disclosed in "History and Development, Reorganisation and Group Structure", "Share Capital", "Underwriting", "Structure of the Global Offering" and in this appendix, within the two years preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of its subsidiaries had been issued or agreed to be issued or was proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of its subsidiaries was under option or was agreed conditionally or unconditionally to be put under option;

(iii) no commission had been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any share in our Company or any of its subsidiaries;

(iv) no commissions, discounts, brokerages or other special terms had been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries; and

(v) Our Directors have confirmed that there had not been any interruption in the business of our Group which might have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.

(b) Our Company has no founder, management or deferred shares.

(c) No securities of our Group are listed, and no listing of any such securities is proposed to be sought, on any other stock exchange.

(d) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

(e) Our Group had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities as at the Latest Practicable Date.

(f) There are no arrangements in existence under which future dividends are to be or agreed to be waived.

DOCUMENTS DELIVERED TO THE COMPANIES REGISTRY

The documents attached to the copy of this prospectus delivered to the Companies Registry in Hong Kong for registration were copies of the **WHITE, YELLOW** and **GREEN** Application Forms, the statement containing the particulars of the Selling Shareholder as set out in the section headed "Other Information — 23. Selling Shareholder" in Appendix IV to this prospectus, the written consents referred to in the section headed "Other information – Qualifications and consents of experts" in Appendix IV to this prospectus; copies of material contracts referred to in the section headed "Further information about the business of our Group – Summary of material contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Woo Kwan Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and the Articles;

(b) the accountant's report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

(c) the audited financial statements of Matusadona Investments Limited for the three years ended 30 April 2013;

(d) the report dated 12 September 2013 from PricewaterhouseCoopers relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus, respectively;

(e) the letter from PricewaterhouseCoopers relating to the statement of adjustments;

(f) the letter of advice dated 12 September 2013 prepared by Conyers Dill & Pearman (Cayman) Limited summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;

(g) the Cayman Islands Companies Laws;

(h) the legal opinion dated 12 September 2013 prepared by Fangda Partners in respect of certain aspects of our Group in the PRC;

(i) a legal opinion dated 12 September 2013 prepared by Adnan Sundra & Low in respect of the MDTCC guidelines in Malaysia;

(j) a letter of advice dated 12 September 2013 prepared by Russell Bedford Hong Kong Limited;

(k) a letter of advice dated 12 September 2013 prepared by American Appraisal China Limited;

(l) the material contracts referred to in the section headed "Further information about the business of our Group – Summary of material contracts" in Appendix IV to this prospectus;

(m) the written consents referred to in the section headed "Other information – Qualifications and consents of experts" in Appendix IV to this prospectus;

(n) the rules of the Pre-IPO Share Option Scheme and the Share Option Scheme;

(o) the service agreements referred to in the section headed "Further information about Directors and Shareholders – Particulars of Directors' service contracts" in Appendix IV to this prospectus; and

(p) the statement containing the particulars of the Selling Shareholder as set out in the section headed "Other Information — 23. Selling Shareholder" in Appendix IV to this prospectus.

國際家居零售有限公司
International Housewares Retail Company Limited

