*Investors should carefully consider all of the information in this document, including the risks and uncertainties described below, before making any investment in the* [**REDACTED**] *Shares. If any of the possible events described below occur, the business operation, financial condition or results of operation of the Group could be materially and adversely affected and the market price of the Shares could fall significantly.*

## RISKS RELATING TO THE GROUP'S BUSINESS

### The Group's future growth depends on its ability to open and profitably operate new restaurants.

As at the Latest Practicable Date, the Group operated four Cantonese restaurants in Hong Kong and one Cantonese restaurant in China, all under the brand of Star of Canton (利寶閣). The Group also opened a Jingchuanhu cuisine restaurant under the new brand of Beijing House (京香閣) at the end of October 2015. The Group plans to open two new Cantonese restaurants in Shenzhen, the PRC in 2017. For details of the Group's future plans, please refer to the section headed "Future Plans and Use of Proceeds" of this document.

The Directors consider that the number and timing of new restaurants actually opened during any given period, and their associated contribution to the Group's growth, are subject to a number of risks and uncertainties, including but not limited to the Group's ability to:

- locate suitable new restaurant sites and secure leases on commercially reasonable terms;
- obtain the required government licenses, permits and approvals;
- obtain adequate financing for working capital and capital expenditures for the new restaurants;
- hire and retain qualified and experienced operating and management personnel, especially respective restaurant manager and the division head chefs, on commercially reasonable terms;
- prevent any renovation delays or cost overruns;
- efficiently manage the time and costs involved in the design, renovation and preopening processes for each new restaurant;
- accurately estimate expected customer demand in new locations and markets;
- minimise potential cannibalization effects between existing and new restaurants;
- secure adequate food ingredient suppliers that meet the Group's quality standards; and
- effectively counter competition from other restaurants in the proximity.

In the past, the Group has experienced and may continue to experience delays in restaurant openings. Besides, when opening any new restaurant, the Group would need to build a customer base and increase public awareness by promotion and advertising. It also has to get familiarised with the local market in order to design a menu that appeals to the target customers. As new restaurants incur expenses before opening such as rental and staff costs, and progress in opening new restaurants may occur at a different rate, the amount of time it takes for each new restaurant to reach planned operating levels, breakeven and reach payback may vary. Accordingly, the Group may not be able to open planned new restaurants as scheduled, if at all; and if opened, the Group cannot assure you that the new restaurants can break even or generate stable and considerable revenue to the Group in the short run, or that the revenue generated from the Group's new restaurants will be equal to or exceed those of the Group's existing restaurants. The new restaurants may operate at a loss, which could have a significant adverse effect on the Group's overall operating results.

**Failure to obtain leases for desirable locations for new restaurants or failure to renew existing leases on commercially acceptable terms would have a material adverse effect on the Group's business and future development.**

All of the Group's restaurants are operated on leased properties. Except for the lease in relation to the Shenzhen Restaurant, leases for the Group's other Hong Kong restaurants generally have a term of three years, with an option to renew for a further term between one to six years. For details, please refer to the section headed "Business – Leased properties – Restaurants in Hong Kong" of this document.

For the years ended 31 December 2013, 2014 and 2015, the Group's property rentals and related expenses (excluding properties used as offices, warehouse, car park and staff quarters) for its restaurant operations amounted to approximately HK$26.4 million, HK$30.7 million and HK$36.2 million, respectively, representing approximately 15.1%, 12.5% and 14.1% of the Group's total revenue from restaurant operation during the respective periods. The Group expects the rental costs for the current locations of the Group's restaurants to continue to increase in the future, as all of them are located in busy commercial districts, shopping arcades or residential areas in Hong Kong and Shenzhen. The continuous expansion of the Group's restaurant network will also increase the Group's rental costs in the future.

Besides, the Group may have to compete with other retailers and competitors for securing prime shop spaces. The Group may not be able to rent these prime locations on terms which are comparable to its existing restaurants, as its competitors or other retailers may offer terms more favourable than the Group.

There is no assurance that the Group will be able to renew the Group's existing leases upon their expiry, or that the rental rates and the terms and conditions of the renewal will be the same as the Group's existing leases. If the Group encounters any substantial increase in rental costs, the Group may experience cash flow problems and the Group may need to obtain financing or adjust the Group's working capital. These may disrupt the Group's business expansion plan and reduce its cash available for other purposes. Any significant increase in rental costs may also be a factor for the Group to consider closing or relocating the Group's restaurants and the Group may as a result incur relocation costs. In addition, the revenue and any profit generated at a relocated restaurant may be less than the revenue and profit previously generated from a closed restaurant. Therefore, failure to obtain leases for desirable locations for new restaurants or failure to renew existing leases on commercially acceptable terms would have a material adverse effect on the Group's business and future development.

**The Group's business is subject to the availability, quality and price of food ingredients.**

Success of the Group's business can be affected by the availability, quality and price of food ingredients. The Group's ability to maintain consistency in quality of food and menu offerings depends in part on the prompt delivery and transportation of the raw materials and food ingredients. As the major food ingredients used by the Group are perishable food ingredients, such as fresh seafood, fresh vegetables and fruits, fresh or chilled meat, they may deteriorate due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation by the suppliers. Disruption of the food supplies may be affected by many factors beyond the Group's control, including natural disasters such as droughts, floods, typhoons and earthquakes, harvest conditions, adverse climate conditions, unexpected production shortage, ceasing operations of a supplier, unanticipated customer demand, seasonal fluctuations, economic conditions, exchange rates, power failures and power shortages, diseases, political factors, governmental regulations and market competition. As such, the Group may experience supply shortages and increased food costs. A material shortage in the supply of food ingredients will adversely affect food production and the Group's restaurant operation.

As to the quality of food ingredients, the Directors cannot assure that the selection criteria adopted by the Group when choosing food ingredient suppliers, or the inspections conducted by the Group on the quantity and quality of all food ingredients upon their delivery, will always be effective. They also cannot assure that the quality of food ingredients used by the Group will not decline in the future due to factors beyond the Group's control, including but not limited to a change in weather conditions, decline in quality of animal feed, change of farming/feeding conditions and methods. As such, the quality of the food ingredients, and in turn the Group's business and financial results, may adversely be affected.

As the Group did not enter into any long term supply contract with its suppliers, price fluctuation in raw materials and food ingredients may have adverse effect on the Group's business and margins. For instance, the purchase price of seafood is typically set on a floating basis to track market prices. Total costs of material consumed (which consist of primarily the costs of all the food and beverage items of the Group) accounted for approximately 29.5%, 29.9%, and 27.7% of the Group's revenues for the three years ended 31 December 2015, respectively. Apart from purchasing a portion of raw materials and food ingredients from local suppliers, the Group purchases raw materials and food ingredients originating from various overseas countries, such as China, Japan, Vietnam and the United States of America through its suppliers. Food prices worldwide have been generally increasing during the Track Record Period. More information on the price fluctuation of food ingredients which the Group experienced during the Track Record Period can be found in the section headed "Business – Raw materials and suppliers – Raw materials". Besides, any appreciation of foreign currencies in these countries against Hong Kong dollar may increase the costs of the Group in Hong Kong dollars.

Should prices for raw materials and food ingredients continue to increase, the Group may not always anticipate and react to changes through the Group's purchasing practices. The Group may also be unwilling or unable to transfer the cost increment to the Group's customers as frequent price increases may harm the Group's reputation and adversely affect the Group's competitiveness. The failure of any of which could materially and adversely affect the Group's profitability.

**The Group's financial results depend on its ability to increase sales and manage costs of its existing and new restaurants.**

The Group's financial results depend largely on the success of its existing and new restaurants, and its abilities to increase sales and manage costs in achieving expected financial results.

To increase sales, the ability of increasing guest traffic and the average cheque per guest are crucial to the Group. Nevertheless, these are subject to the following factors, including but not limited to:

- customer budgeting constraints;
- customer sensitivity to price increase;
- changes in customer preferences;
- customer's dining experiences in the Group's restaurants;
- increased competition in the Chinese cuisine industry;
- the Group's reputation and customer's perception of the Group's brand and its offerings in terms of quality, price, value and service, food safety, cooking method; and
- declining economic conditions that may adversely affect discretionary customer spending in the markets the Group operates.

Apart from increasing the sales, the Group's profitability and financial results also depend on its ability to manage costs effectively and efficiently in operating the existing and new restaurants. However, some cost increases are either wholly or partially beyond the Group's control, such as:

- rental costs of the Group's existing and new restaurants;
- labor costs;
- costs for food and other raw materials;
- energy, water and other utility costs;
- insurance costs; and
- compliance costs relating to any changes in government regulations.

The Group cannot guarantee that it will achieve the sales growth of comparable restaurants or maintain its growth of revenue in the future. If the Group fails to operate its existing or new restaurants profitably as expected, there could be negative impacts on the Group's financial condition and operation results.

**The Group's financial performance may be adversely affected upon the closure of the I-Square Restaurant.**

The tenancy of the I-Square Restaurant expired on 24 November 2015. The Group did not renew the tenancy of I-Square Restaurant upon its expiry. The main reason for the closure is that the Directors had been considering opening up Beijing House Restaurant at a shop adjacent to that of a Star of Canton Restaurant for the sake of achieving economies of scales of operation by sharing the same kitchen area, however the Group was constrained by the size of its existing restaurants. Before the expiry of the I-Square Restaurant, the Group identified a Sheung Wan site and the Directors consider that the Sheung Wan site is an ideal location to open up both the Sheung Wan Restaurant and Beijing House Restaurant. The area of the Sheung Wan site is almost twice that of the I-Square Restaurant and it targets to capture mid-to-high end spending customers and corporate customers in the Central or Sheung Wan areas. In addition, as the competition for leases in Tsim Sha Tsui among retailers is fierce, the Directors expected that such situation would also lead to considerable increase in rental cost for restaurant premises in Tsim Sha Tsui. Hence, the Group had decided not to renew the I-Square Restaurant tenancy.

As a result, the business of the I-Square Restaurant ceased in November 2015. Except for the provision of HK$645,000 for reinstatement cost upon the closure of premises occupied by the I-Square Restaurant, which had been made prior to the Track Record Period, the Group provided an additional amount of reinstatement cost of approximately HK$252,000 for the year ended 31 December 2015, based on the latest available quotations from independent contractors and estimation by the Directors. The percentages of the Group's total operating profits generated from the I-Square Restaurant during the years ended 31 December 2013, 2014 and 2015 are approximately 189.3%, 49.3% and 47.1% respectively. As such, the closure of the I-Square Restaurant would reduce the revenue and operating profit that it would have contributed to the Group and cause significant impact on the Group's financial performance after its closure. The Group could not assure you that the total revenue and profit generated from the two new restaurants in Sheung Wan would be greater than that of the I-Square Restaurant, or the Group would be able to capture the mid-to-high end spending customers and corporate customers in the Sheung Wan site. In addition, there is no assurance that the competition in the Sheung Wan site would be less fierce than Tsim Sha Tsui, and the Group maybe unable to survive under the new competition environment. As such, the total profitability of the Group may reduce subsequent to the closure of the I-Square Restaurant, adversely affecting the Group's financial performance after the Track Record Period.

**The Group had net current liabilities during the Track Record Period.**

The Group recorded net current liabilities of approximately HK$81.0 million, HK$57.2 million and HK$24.9 million as at 31 December 2013, 2014 and 2015 respectively. During the Track Record Period, the Group's recorded net current liabilities are mainly attributable to: (i) the net current liabilities of the Disposal Group; and (ii) the amounts due to related parties. For details, please refer to the section headed "Financial Information – Net Current Liabilities".

Although as at the Latest Practicable Date, (i) the disposal of the Disposal Group had been completed; and (ii) all of the amounts due from/to related parties as at 31 December 2015 had been settled, the Group could not assure that there will be no further net current liabilities in the future. There is also no assurance that the Group's previous net current liability position will not impair its ability to make necessary capital expenditures or develop business opportunities. If the Group is unable to meet the Group's debt and interest repayment obligations, the Group's creditors could choose to accelerate the repayment of the Group's borrowings.

**The Group relies on a few suppliers for the supply of food ingredients and the Group generally does not enter into long-term contracts with them.**

The Group does not enter into any long-term contracts with the Group's food ingredient suppliers. For the three years ended 31 December 2015, the Group's total purchases attributable to the five largest suppliers amounted to approximately HK$24.6 million, HK$27.6 million and HK$25.3 million, respectively, representing approximately 50.0%, 40.1% and 37.3% of the Group's total purchases, respectively. For the same periods, the Group's total purchases attributable to the largest supplier amounted to approximately HK$12.6 million, HK$16.3 million and HK$9.5 million, respectively, representing approximately 25.7%, 23.7% and 14.1% of the Group's total purchases, respectively.

The Group cannot assure that there will not be any dispute with its major suppliers, or that the Group will be able to maintain business relationships with the Group's existing suppliers, in particular, the Group's five largest suppliers, for the Track Record Period. The Group's suppliers may cease to supply food ingredients to the Group for any reason. Moreover, the Group's suppliers may fail to meet the quality standards the Group requires from time to time. If any of these events occur, the Group may not be able to locate alternative suppliers promptly and on comparable commercial terms. If the Group fails to source suitable suppliers in support of the Group's business, the Group's business operation could be interrupted or discontinued and, as a result, the Group's financial performance and operation results may be adversely affected.

**Any negative publicity or complaints on food contamination could adversely impact the Group's reputation, business and operation results and even subject the Group to significant liability claim.**

Given the nature of the Chinese cuisine industry, the Group faces an inherent risk of food contamination and liability claims. Certain kinds of food including eggs, sauces, vegetables and various kinds of seafood may be found to contain hazardous substances to human health. The Group may not be able to detect all defects in the Group's supplies. Any outbreak of contamination, allegations of poor standards of hygiene or cleanliness, adverse publicity resulting from publication of industry findings or research reports in relation to any food ingredients used by the Group could affect public confidence in the Group's food products, which may lead to a loss in the Group's regular customers and hence a decrease in its business and revenue. The Group may have to incur additional costs in placating any customers or salvaging the Group's reputation. Any such complaints, allegations or negative publicity, regardless of their validity, may materially damage the Group's reputation and business.

If any complaint escalates to become a claim against the Group, even unsuccessful, the Group may have to divert resources to address the claim. In the event that the Group's insurance coverage is inadequate, the Group may have to pay out of the Group's own resources to compensate the Group's customers for any illness or injuries suffered, if the Group is found to be at fault. Liabilities in respect of such claims could adversely affect the Group's financial position.

**Any failure to maintain effective quality control systems of the Group's restaurants could have a material adverse effect on its reputation, business and operations.**

Maintaining consistent and high standard of food quality is critical to the Group's success and depends significantly on the effectiveness of its quality control systems. For details of the Group's quality control measures, please refer to the section headed "Business – Food safety and quality control" in this document.

There is no assurance that the quality control systems the Group adopted will always be effective in the future. Any significant failure or deterioration in the quality control systems could have a material adverse effect on the Group's reputation, operations and financial condition.

Due to the scale of the Group's operations, there is no assurance that the Group's staff will strictly adhere to the quality control policies and guidelines at all times. Any failure to detect defective food supplies, or observe proper hygiene, cleanliness and other quality control requirements or standards in the Group's operations, could cause negative publicity, give rise to potential liability and adversely affect the Group's reputation and business.

**Failure to deal with customer complaints or adverse publicity involving the Group's products or services could materially and adversely impact the Group's business and operation results.**

The Group's business can be adversely affected by negative publicity or news reports, whether accurate or not, regarding food quality issues, public health concerns, illness, safety, injury or government or industry findings concerning the Group's restaurants, restaurants operated by other food service providers or others across the food industry supply chain. Any such negative publicity involving the Group's restaurants could result in damage to the Group's brands and reputation, materially harm the Group's business and operation results.

The negative publicity can be related to the food industry as a whole, not just the Group's restaurants. For instance, the widely reported "gutter oil" incident in early September 2014 affected the food industry in Taiwan, Hong Kong and Macau. The occurrence of similar incidents in the future may adversely affect consumer confidence and hence impact negatively on the restaurant industry as a whole.

Given the nature of the food industry, the Group's restaurants may face various customer complaints regarding food and services provided or due to other reasons on regular basis. If the Group fails to address them properly, such complaints could escalate and may even lead to customer claims, proceedings and/or government actions.

During the Track Record Period, one restaurant of the Group received one complaint filed by customers to the FEHD, which was related to an incident concerning provision of food not of the substance demanded by the customer. The relevant restaurant was fined HK$3,405. Details of this complaint are set out in the paragraph headed "Business – Food safety and quality control" of this document.

Significant numbers of complaints or claims against the Group, even if meritless or unsuccessful, could force the Group to divert management and other resources from other business concerns, which may adversely affect the Group's business and operations. Adverse publicity resulting from such allegations, even if meritless or unsuccessful, could cause customers to lose confidence in the Group's brands, which may adversely affect the business of the restaurants subject to such complaints and the Group's restaurants under the same or related brand. As a result, the Group may experience significant decline in the Group's revenues and customer traffic from which the Group may not be able to recover.

**The Group's future success depends on its ability to meet customer expectations and anticipate and respond to changing customer preferences.**

The Chinese cuisine industry in Hong Kong and the PRC is highly fragmented and competitive, and is subject to rapidly changing customer preferences. The Group's future success relies heavily on its ability to constantly offer menu items, creatively-designed banquet and dining services based on changing market trends and changing tastes, dietary habits, expectations and other preferences of the Group's target customers. As such, significant costs to survey and research customer trends and preferences and to develop and market new menu items, banquet and dining services may be required, this may place substantial strain on the Group's managerial and financial resources. If the Group is unable to identify new customer trends or preferences and develop new products and services accordingly, or if the Group lags behind its competitors in introducing and developing new or popular products or services that appeal to customers, the Group's business and operation results may be adversely affected.

**The Group may encounter difficulty in sustaining profitability and the Group's historical financial condition may not be treated as indication of the Group's future profitability.**

The Group's historical results may not be indicative of the Group's future performance. The Group's financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of the Shares to decline. The Group's revenues, expenses and operating results may vary from period to period due to a variety of factors beyond the Group's control, including but not limited to general economic conditions, special events, regulations or actions pertaining to restaurants based in Hong Kong and the Group's ability to control costs and operating expenses.

**The Group's financial results are expected to be affected by the expenses in relation to the [REDACTED].**

The Group's financial results for the year ending 31 December 2016 will be affected by the nonrecurring expenses in relation to the [**REDACTED**]. The estimated total [**REDACTED**] to be borne by the Company is approximately HK$[**REDACTED**] (assuming a [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] Share, being the mid-point of the indicative [**REDACTED**] range), of which approximately HK$[**REDACTED**] is directly attributable to the issue of new Shares to the public and is to be accounted for as a deduction from equity. For the remaining estimated [**REDACTED**] of approximately HK$[**REDACTED**], approximately HK$[**REDACTED**] was charged to the Group's combined statement of comprehensive income for the year ended 31 December 2015; approximately HK$[**REDACTED**] will be charged to the Group's combined statement of comprehensive income for the year ending 31 December 2016. Accordingly, the Group's financial results for the year ending 31 December 2016 are expected to be materially and adversely affected by the estimated professional fee in relation to the [**REDACTED**].

**The Group may have to suspend or cease the sale of liquor in the Group's restaurants if the relevant employee who holds the relevant liquor licence fails to transfer the licence in a timely manner.**

As at the Latest Practicable Date, all holders of the liquor licence of each of the Group's restaurants were the Group's employees. Under regulation 15 of the DCR, any transfer of a liquor licence must be made on the form as determined by the LLB. For a transfer application, consent of the holder of liquor licence is required. Under regulation 24 of the DCR, in case of illness or temporary absence of the holder of liquor licence, the secretary to the LLB may in his discretion authorise any person to manage the licensed premises. The application under such regulation is required to be made by the holder of liquor licence. For any application for cancellation of the liquor licence made by the holder of liquor licence, an application for new issue of a liquor licence will be required to be made to the LLB. Under section 54 of the DCO, in case of death or insolvency of the holder of liquor licence, his/her executor or administrator or trustee may carry on the business in the licensed premises until the expiration of the licence.

If the relevant employee refuses to give consent to a transfer application when the Group requires a transfer, fails to make an application in respect of illness or temporary absence, or makes a cancellation application without the Group's consent, or if an application for new issue of a liquor licence is required to be made to the LLB in case of death or insolvency of the relevant employee, it may cause the relevant restaurant to suspend or cease the sale of liquor for a certain period, which may adversely affect the Group's business and profitability. Although as disclosed in the section headed "Business – Licenses and Approvals", the Group has adopted measures to counter the above risks and to safeguard the Shareholders' interests, there is still no guarantee that the application for transfer can be submitted and/or approved in time without interruption to the relevant restaurant's business operation.

**The Group may not be able to adequately protect its intellectual property, which, in turn, could harm the value of the Group's brand and adversely affect the Group's business.**

The Directors consider that customer awareness and recognition of the qualities for which the Group's brands stand is the key for the success of the Group's business. The Group's ability to implement the Group's business plan successfully also depends in part on the Group's ability to further build brand recognition using the Group's trademarks, proprietary know-how, recipes, trade secrets and other intellectual property, including the Group's names and logos.

Any failure to protect or safeguard the Group's intellectual property rights, or if any third party misappropriates, dilutes or infringes on the Group's intellectual property, could materially and adversely affect the value of the Group's brands and the Group's business, financial condition and operation results. It might also prevent the Group's brand from achieving or maintaining market acceptance. Even if the use by an infringing restaurant of identical or similar trademarks, brands and logos does not confuse customers, the distinctive nature of the Group restaurants' brand image could be blurred because the Group's trademarks, brands and logos may lose the distinctive association with the Group's restaurants that the Group is trying to establish with customers.

Additionally, the Group may, from time to time, be required to institute litigation, arbitration or other proceedings to enforce the Group's intellectual property rights, which are likely to be time-consuming and expensive to resolve, and would divert the Group's management's time and attention regardless of its outcome. Even if any such litigation is resolved in favour of the Group, the Group may not be able to successfully enforce the judgment and remedies awarded by the court and such remedies may not be adequate to compensate the Group for the actual or anticipated related losses, whether tangible or intangible. Suppose the Group is able to successfully enforce the Group's rights, any harm done to the Group's brands could still materially adversely affect the sales, profitability and prospects of the Group. Furthermore, negative publicity or customer disputes and complaints regarding any infringing parties' unauthorised use of the Group or similar trademarks, brands and logos could dilute or tarnish the Group restaurants' brand appeal.

Furthermore, the Group may face claims of infringement that could interfere with the Group's use of the proprietary know-how, concepts, recipes or trade secrets. The Group may have to incur a substantial amount of costs in defending against such claims and, if the Group is unsuccessful, the Group may be prohibited from continuing to use such proprietary information in the future or be forced to pay damages, royalties or other fees for using such proprietary information. If the Group is prohibited from using the trademarks in carrying out the Group's core business operations, the continuity of the Group's business may be disrupted and the Group's financial performance and reputation will be adversely affected.

**If the Group fails to secure the registration of the Group's material trademark, the Group may be subject to infringement claim by third party and its business and operation results may be adversely affected.**

Four applications for the registration of the trademarks of Beijing House ("京香閣") and Star of Canton ("利寶閣") in Hong Kong under class 43 were made to the Trade Marks Registry in Hong Kong during the period from 19 June 2015 to 21 September 2015. Two of such applications were still being processed as at the Latest Practicable Date. For details, please refer to the paragraph headed "Intellectual property rights of the Group" in Appendix IV to this document. The Group cannot assure that the pending trademark applications would be successful. If the Group fails to apply for the trademarks described above, or if it is held by any court or tribunal that the Group's trademarks have infringed any trademark of others, the Group's business may be adversely affected.

In addition, the Group may be unaware of intellectual property registrations or applications relating to the Group's brands that may give rise to potential infringement claims against the Group. Intellectual property litigation is expensive and time-consuming and could divert management's attention from the Group's business. A successful infringement claim against the Group could, among other things, make the Group pay substantial damages and cease using the Group's brands that have infringed a third party's intellectual property rights. Any intellectual property claim or litigation, regardless whether the Group ultimately wins or loses, could damage the Group's reputation and have a material adverse effect on the Group's business, operation results or financial condition.

**The Group's current restaurant locations may become unattractive or fail to meet the Group's expectations, the Group's business and operations results may be materially and adversely affected.**

The Group's current restaurant locations may become unattractive or fail to meet the Group's expectations, since the demographics of the neighborhood may deteriorate or otherwise change due to certain events, such as the closing down of shopping malls or residential establishments, construction or renovation works in surrounding area that may adversely affect the accessibility of the Group's restaurants or reduce the pedestrian or vehicle flow in the area, resulting in reduced guest traffic. Under these circumstances, the Group may operate at loss and consider closing or relocating to other premises if suitable location can be leased at reasonable commercial terms in a timely manner. This will result in relocation costs to be borne by the Group. However, because most of the Group's lease agreements have fixed terms, the Group would be obligated to continue to make rental payments for the entire duration of such leases at the relevant restaurants. In such circumstances, the Group's financial condition could be materially and adversely affected.

**The expansion plans of new restaurants may expose the Group to business and financial risks.**

As elaborated in more details in the section headed "Business – Business strategies", the Beijing House Restaurant and Sheung Wan Restaurant were soft opened at the end of October 2015 under the brand of Beijing House and Star of Canton respectively, and two new restaurants under the brand of Star of Canton are planned to be opened in Shenzhen in around 2017. However, the Group cannot assure that the opening of these new restaurants will achieve desirable results.

Opening of the Beijing House Restaurant is intended as the first move of the Group's expansion plan to tap into non-Cantonese specialty cuisine market, namely, Jingchuanhu cuisine, under the Group's new brand of Beijing House. Pursuing this multi-brand business strategy, however, involves inherent business risks, such as making incorrect judgments or assumptions as to customer acceptance of the specialty cuisines, or customer traffic in the shopping mall in which the Beijing House Restaurant is located. Besides, the Group would be required to identify and respond to different competitive conditions, consumer preferences and discretionary spending patterns. The Group also has to incur additional investments to build brand awareness among its target customers. There is no assurance that the Group will be successful in implementing this multi-brand expansion plan.

In addition, the operating results of the Group may be significantly influenced by the opening of the said new restaurants, including initially lower sales and higher operating costs, which are often affected by factors beyond the Group's control. The Group considers that labour and operating costs, such as depreciation charge and employee salaries, associated with a newly opened restaurant for the first several months of operation are materially greater than those subsequent to that period as a percentage of revenues. New restaurants also incur rental expenses before opening, which may result in a significant increase in the Group's expenses and expose the Group to higher financial risks.

Furthermore, target customers of the Group's restaurants may differ by location, depending on a number of factors such as population density, local retail and business attractions, area demographics and geography. As a result, the opening of new restaurants in or near markets in which the Group already has existing restaurants may cause cannibalization impact on these existing restaurants, as some of the Group's customers may be diverted from the existing restaurants to the new restaurants, and vice versa.

Although it is the Group's intention to carefully consider any likely impact on its existing restaurants when evaluating new restaurant site and seeking to balance any potential impact on the Group's existing restaurants with the new restaurant's ability to attract more customers from competitors, there can be no assurance that customer diversion among the existing and new restaurants will not occur, which could have a material adverse effect on the sales at the Group's existing restaurants and the Group's overall profitability.

**The Group has previous incidents of non-compliance with the Predecessor Companies Ordinance and the Companies Ordinance.**

During the Track Record Period, the Group had on various occasions not fully complied with certain statutory requirements in the Predecessor Companies Ordinance and the Companies Ordinance with respect to matters such as filing corporate forms and timely adoption of audited accounts. For details, please refer to the section headed "Business – Non-compliance – General Non-compliance Matter". If the Hong Kong Companies Registry takes any actions against the Group, including but not limited to imposing fines or other penalties, the Group's reputation, cash flow and results of operation may be adversely affected.

**The Group may be subject to fines and penalties due to breaches of the Buildings Ordinance, Employees' Compensation Ordinance and Water Pollution Control Ordinance.**

During the Track Record Period, the Group had failed to: (i) comply with the occupation permit for the use of a building; (ii) file the necessary form to report accident to an employee; and (iii) obtain the relevant water pollution control licenses, in breach of the Buildings Ordinance, Employees' Compensation Ordinance and Water Pollution Control Ordinance respectively. For details of the breaches and potential penalties, please refer to section headed "Business – Non-compliance" in the document.

As at the Latest Practicable Date, the Group had taken measures to rectify the breaches, including but not limited to applying to the EPD the water pollution control licenses for its restaurant in Hong Kong. However, there is no assurance that the Group would be able to renew all of the licenses when they expired. If the Group could not maintain all licenses required, the Group's business could be interrupted or the continued operations of the Group's restaurants may be subject to fine and penalty.

Furthermore, there is no assurance that the relevant authorities, including but not limited to the Building Authority, the Commissioner of Labour and the EPD, would not prosecute the Group for the said breaches and impose penalty on the Group or the directors of the members of the Group, including but not limited to fines and imprisonment. The Directors are unable to ascertain the exact amount of fines that may be imposed on the Group as the amount of fines varies from case to case. The Directors and/or other management found to be in actual control of its operations may be held liable if the Group is found guilty and liable on conviction. If the fines are substantial or if any Director or management is liable to the criminal offense, the financial or operation of the Group may be adversely affected. The breaches may also affect the reputation of the Group as a whole.

**The Group's insurance policies may not provide adequate coverage for all claims associated with the Group's business operations.**

The Group has obtained insurance policies that the Group believes are customary for businesses of the Group's size and type and in line with the standard commercial practice in Hong Kong. For details, please refer to the section headed "Business – Insurance" of this document. Nevertheless, there are types of losses the Group may incur that cannot be insured against or that the Group believes are not commercially reasonable to insure, such as loss of reputation. If the Group is held liable for uninsured losses, the Group's financial results may be materially and adversely affected.

In Hong Kong, employees who suffer work-related injuries may claim for employee's compensation under Employees' Compensation Ordinance or claim for damages under the common law. Due to the nature of the Group's business, the Group may also face other miscellaneous litigation claims from the Group's employees or third parties from time to time, including third parties who suffer personal injuries at the Group's restaurants. While the Group maintains insurance policies for employees' compensation and public liability, there is no assurance that the Group could be able to accurately assess the outcome of any claim and that the insurance company will not challenge any such claims on the ground that they fall outside the scope and/or limit of the Group's insurance coverage or counterclaim the Group for any breach of the terms and conditions of the relevant policy. If the Group's insurance fails to cover all the Group's liabilities in relation to claims or litigations against the Group for whatever reason, and if the Group is liable for compensation under such claims, the Group may need to pay out of the Group's own resources, which may adversely affect the Group's financial conditions. Regardless of the merits of any claims or litigations, the Group may have to divert management resources and incur costs to handle these claims. Negative publicity may also be resulted, which may affect the Group's corporate image and reputation.

**Seasonality factors may affect the Group's financial performance.**

The Group's overall operation results can fluctuate significantly from period to period because of seasonal fluctuations. For example, Chinese wedding banquets are generally less popular in the months from April to August as the Chinese Qingming festival and ghost festival usually fall within these months and it is considered inauspicious to get married. It is also considered by the Chinese that it is inauspicious to get married in a "blind year" according to the Chinese lunar calendar. The Tung Shing (通勝) may also deem certain dates on the Chinese lunar calendar unsuitable for weddings. The revenue generated from providing wedding banquet services for these periods is usually lower. The Group experiences seasonal fluctuations in the revenue. The Group's revenue during certain holiday periods (generally from December to February), such as the Christmas holiday and the Chinese New Year holiday, is usually higher than those for the remaining months of the year. Generally, the revenue of the Group during April to August is lower than those for the remaining months, mainly due to lack of Chinese festivals and less Chinese wedding banquets during such period. As such, the results of the Group's financial performance may fluctuate from period to period and any comparison of different periods may not reflect the Group's overall financial performance accurately due to seasonality. The results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period.

**The Group is heavily dependent on the Group's key executives and personnel.**

The Group believes that its future success depends, to a significant extent, on the continued services and the performance of the Group's key management personnel. Competition for experienced management and operating personnel in the Chinese cuisine industry is intense. There is no assurance that the Group can maintain, develop and continually tap on the leadership skills of the Group's key management personnel in the future. In addition, competition for qualified employees may lead to the Group paying higher wages, and thereby incurring higher labor costs. If one or more of the Group's key management personnel are unable or unwilling to continue in their present positions due to any reason, and the Group is unable to find competent and suitable replacement within a reasonable period of time or at all, the Group's business and operations may be materially and adversely affected. Moreover, if any Director or member of senior management or any other key personnel joins a competitor or forms a competing company, the Group may lose the established network of suppliers and/or customers. As such, the failure of retaining the Group's key executives and personnel could adversely affect the Group's business and financial results.

**The Group may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by the Group's staff, customers or other third parties.**

As the Group operates in the Chinese cuisine industry, the Group usually receives and handles large amounts of cash in the daily operations. The Group cannot assure you that the cash management system implemented by the Group will always be effective in the future, or that the Group's staff will strictly adhere to the relevant cash handling polices at all times, or that the Group can prevent any misappropriation or illegal use of cash in the future. In the event that the Group may be unable to prevent, detect or deter all such instances of fraud, theft, bribery, corruption or other misconduct committed against the Group's interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on the Group's business, financial condition and operations.

**The Company is a holding company and relies on dividend payments from its subsidiaries.**

The Company is a holding company and conducts substantially all of its business through different operating subsidiaries. As a result, the Company's ability to pay dividends depends on dividends and other distributions received from its subsidiaries. If the subsidiaries incur debt or loss, it may impair their ability to pay dividends or other distributions to the Company, which could adversely affect its ability to pay dividends to the Shareholders. In addition, restrictive covenants in bank credit facilities, indentures, joint venture agreements or other arrangements that the Group may enter into in the future may also restrict the ability of the subsidiaries to pay dividends or make distributions to the Company. These restrictions could reduce the amount of dividends or other distributions the Company receives from its subsidiaries, which in turn would restrict its ability to pay dividends to the Shareholders.

## RISKS RELATING TO THE INDUSTRY THE GROUP OPERATES

### The Group operates in a highly competitive industry.

The Group operates in a highly competitive industry in Hong Kong and the PRC. According to the Ipsos Report, the number of Cantonese restaurants increased from around 1,640 in 2010 to around 1,830 in 2014, and it is expected that the upward trend of the total number of Cantonese restaurants will persist. There are no significant barriers to entry into the restaurant business other than initial capital outlay, a new entrant's ability to satisfy various general licensing requirements and to incur higher rental costs to open outlets at desirable locations. The Group's business is therefore subject to intense competition from a variety of restaurants targeting different market segments, including local restaurants and regional and international chains.

Industry players compete on, inter alia, pricing, food quality and consistency, ambience, services, location, reputation, supply of quality food ingredients. Some of the Group's competitors may have longer operating histories, more restaurant and retail outlets, larger customer bases, more established brand recognition, more established relationships with suppliers, and greater financial, marketing and public relations resources. Some of them may, out of various commercial considerations, adopt low-margin sales strategies and compete against the Group based on lower prices to increase their market shares. The Group may be forced to lower the prices and profit margins of its products or its market share would be at risk.

In order to maintain the food quality and standard of services, the Group also competes with other industry players on the supply of experienced and reliable staff. The Group may have to offer experienced managerial and operational personnel staff higher wages in order to recruit or retain them. Such instances will increase the Group's operating costs, thereby affecting its financial performance. Increasing competition within the industry may have an adverse impact on the Group's revenue, market share, profit margin and financial result.

### The changes in the macro-economic situation in Hong Kong may have an adverse effect on the Group's business, finance condition and operation results.

During the Track Record Period, approximately 96.6%, 75.4% and 71.3% of the Group's revenue was derived in Hong Kong for the three years ended 31 December 2015. The Group anticipates that revenue in Hong Kong will continue to represent a substantial proportion of its total revenue in the future. However, the profitability of the Group's business is dependent on, inter alia, a number of factors relating to the Hong Kong market, such as the spending power of the population, the number of and the spending by tourists and other visitors, legislation, regulations and government policies in relation to the Group's business.

Furthermore, economic instability and political turmoil have certain effect on the macroeconomics conditions which would affect the consumers' desire to spend. As a result, the Group's business may be materially affected in the event of any adverse or unforeseeable change in the economic, political and social conditions in Hong Kong. The Group is unable to assure that such changes will not occur in the future.

**The restaurant business in Hong Kong may be subject to stringent licensing requirements, environmental protection regulations and hygiene standards which can increase the Group's operating costs.**

There can be no assurance that the requirements for obtaining general restaurant licenses, water pollution control licenses and liquor licenses or other permits for restaurant premises and installations in Hong Kong will not become more stringent. Operations of food and beverage establishments, including restaurants, are required to comply with environmental protection regulations. The requirements for obtaining the relevant hygiene permits, the approvals on fire protection and the permits for discharging polluting materials in Hong Kong may also become more stringent.

If the Group fails to comply with the existing regulations, or future legislative changes, the Group may incur significant compliance costs or expenses or result in the assessment of damages, imposition of fines against the Group or a suspension of any part of its business, which could materially and adversely affect the Group's financial condition and operation results. In addition, there is no assurance that the Group can comply with more stringent licensing requirements. Should this happen, the Group's restaurants may have to cease operation, and its reputation and profitability could be materially adversely affected.

**Labour shortages or increases in labour costs could affect the Group's future development, business operation, financial condition and operation results.**

As the restaurant operations are highly service-oriented, the Group's future success depends in part upon its ability to attract, motivate and retain a sufficient number of qualified and experienced staff, including restaurant managers (restaurant level), kitchen staff and wait staff, all of which are necessary to meet the needs of the Group's existing restaurants and keep pace with the Group's expansion plan. There is a short supply of qualified individuals in the food and beverage industry and competition for these personnel is intense. Therefore, there is no assurance that the Group will be able to recruit all necessary personnel. Should the Group fail to recruit and retain qualified individuals in the future, its expansion plan may be delayed and could adversely impact its existing restaurants. Any such delays, any material increases in staff turnover rates in existing restaurants or any widespread staff dissatisfaction could have a material adverse effect on the Group's business and operation results.

Furthermore, competition for qualified personnel could also result in higher staff costs. For the three years ended 31 December 2015, the staff costs accounted for approximately 29.1%, 26.5% and 27.1% of the Group's revenue. The failure to attract experienced personnel at a desirable level of labour costs could adversely affect the Group's business, financial condition and operation results.

In addition, since the enactment of the Minimum Wage Ordinance on 1 May 2011, the statutory minimum wage was set to HK$28 per hour which was then increased to HK$32.5 per hour with effect from 1 May 2015. The increase in the statutory minimum wage rate may increase the overall market salary level of low-paid workers, which may in turn increase the

Group's staff costs. The Group cannot assure you that the Government will not increase the statutory minimum wage rate again in the future. If the Group decides not to pass the increased staff costs onto its customers by increasing the prices, or manages effectively its costs of operations, the Group's financial results may be adversely affected.

**The Group's business may be adversely affected by outbreaks of food-borne diseases and illnesses and other health epidemics.**

The Group's business operation is susceptible to outbreaks of food-borne diseases and illnesses and other health epidemics, such as swine influenza (also known as pig flu), avian influenza (also known as bird flu), severe acute respiratory syndrome (also known as SARS), Bovine Spongiform Encephalopathy (also known as BSE), or Salmonella. Such outbreak or epidemic, whether or not traced to the Group's restaurants, may lead to a loss in customer confidence and reduce customer traffic and restaurant sales. In addition, any negative publicity relating to these and other health-related matters may also affect customers' perception of the Group's restaurants and its food quality, and cause disruption to the Group's operation, which would in turn materially and adversely affect its business and financial results.

## RISKS RELATING TO THE PRC

**The Group faces tax risks with respect to the indirect transfers of equity interests in the PRC resident enterprises in connection with the Reorganisation.**

On 6 February 2015, the State Administration of Taxation ("**SAT**") has promulgated the Bulletin on Several Issues concerning the Enterprise Income Tax ("**EIT**") on Indirect Asset Transfer by Non-Resident Enterprises (Bulletin [2015] No. 7, "Bulletin 7"). Bulletin 7 is the latest regulatory instrument on indirect transfer and follows two previous sets of guidance issued in 2009 and 2011: the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises ([2009] Circular 698, "Circular 698") and the Bulletin on Several Issues Concerning the Administration of Income Tax on Nonresident Enterprises (Bulletin [2011] No. 24, "Bulletin 24"). Tax matters occurred but have not been settled before 3 February 2015, the date of implementation of Bulletin 7, shall be governed by Bulletin 7.

Pursuant to Bulletin 7, an indirect transfer of China taxable assets conducted by non-resident enterprises through arrangements that do not have reasonable commercial purposes, which results in avoidance of EIT, shall be deemed as direct transfer of China taxable assets and thus subject to tax in the PRC.

In connection with the Reorganisation, the Group conducted transactions that may be deemed to be indirect transfers of equity interests in the PRC subsidiaries (namely, Li Bao Ge Shenzhen and Orient Shenzhen). If the relevant PRC tax authorities hold that these transactions do not have reasonable commercial purpose and were conducted for the purpose of avoiding PRC tax, the Group may incur PRC tax liability for such transaction. However, it remains unclear how the PRC tax authorities will implement and enforce Bulletin 7 and whether it will subject the Group to any PRC tax liabilities.

**Changes in the economic, political and social conditions or policies in the PRC may affect the Group's business, financial conditions and operation results.**

The Group's Shenzhen Restaurant is located in the PRC and the Group intends to open two more restaurants in the PRC during 2017. Accordingly, the Group's results of operation, financial conditions and prospects are and will continue to be subject to political, economic and legal developments of the PRC. The PRC economy differs from the economies of most developed countries in many aspects, including but not limited to structure, government involvement, level of development, economic growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation, trade balance position and taxation.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented economic reforms and measures emphasising on the utilisation of market forces in the development of the PRC economy. The Group cannot predict whether the changes in the PRC economic, political and social conditions, laws, regulations and policies will have any adverse effect on its current or future business, financial conditions or operation results. Moreover, the Group cannot assure that the policy of economic reform and the direction of reform towards market-oriented in the PRC will continue in the future. A variety of policies and other measures that could be taken by the PRC government to regulate the economy could have a negative impact on the Group's business, including the introduction of measures to control inflation or reduce growth, changes in the interest rate or method of taxation. The Group's business, financial conditions and operation results may be adversely affected by the PRC government's economic, political and social policies and regulations.

**Changes and uncertainties in the PRC legal system may have a material impact on the Group's business, financial conditions and operation results.**

The PRC legal system is based on written statutes, and prior court decisions may be cited as reference but have limited precedential value. Since 1979, the PRC government has established a commercial law system, and significant progress has been made in promulgating laws and regulations relating to economic affairs and matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new, and the implementation and interpretation of these laws and regulations may involve a certain degree of uncertainty. Consequently, developments and changes in the PRC laws and regulations, including their interpretation and enforcement, may lead to additional restrictions and uncertainties for the Group's business and uncertainties with respect to the outcomes of any legal action taken against the Group in the PRC.

**Foreign exchange restrictions imposed by the PRC Government and fluctuation of RMB could negatively affect the business and financial operations of the Group.**

RMB is currently not a freely convertible currency. Both the conversion of RMB into any other currencies and the conversion of foreign currencies into RMB for use in the PRC are regulated by the PRC government. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange ("**SAFE**") by complying with certain procedural requirements. However, approval from the SAFE or its local branch is required where RMB is to be converted into foreign currencies and remitted out of the PRC to pay capital expenses. There can be no assurance that the PRC government will not in the future impose restrictions on foreign exchange transactions for current account items, including the payment of dividends.

On the other hand, capital contributions or loans that the Company makes to its PRC subsidiaries (i.e. Li Bao Ge Shenzhen and Orient Shenzhen), including the proceeds from the [**REDACTED**], are also subject to PRC regulations. The PRC foreign exchange regulations also regulate the use of foreign currencies by foreign-invested enterprises which are converted into RMB funds for capital expenditure purposes. Such regulations may impose additional requirements on the Group when it needs to convert foreign currencies into RMB funds for capital expenditure purposes or may limit or restrict the use by the Group's PRC subsidiaries of such capital contributions for certain purposes. If any laws, regulations or government policies in relation to foreign exchange are implemented and the Group fails to comply with the relevant PRC foreign exchange regulations on a timely basis or at all, the Group's ability to fund its PRC subsidiary's operations may be negatively affected or delayed, which may adversely affect the Group's profitability and business operations.

Furthermore, the Group currently does not have a foreign currency hedging policy. The change in value of the RMB against the HK dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions and changes in governmental economic and monetary policies. The Group may as such be increasingly exposed to higher foreign exchange risk of RMB going forward.

For instance, if there is any fluctuation in RMB, these fluctuations may result in exchange losses or gains or increases or reductions in the Group's revenue, receivables, cost and payables after translation into HK dollars. It may also result in the fluctuation in the RMB-equivalent value of the proceeds from the [**REDACTED**] and the Group's foreign currency-denominated assets, or any dividends payable on, the Group's ordinary shares in foreign currency terms.

**Effect of changes in the PRC laws and regulations in respect of food safety, environmental protection and consumer protection may adversely and materially affect the Group's operation and profitability.**

The Group's operations are subject to relevant PRC laws, rules and regulations in particular in respect of food safety, environmental protection and consumer protection. If the Group fails to comply with any change in the relevant laws and regulations, the Group may be subject to penalties or even suspension or closing down of its business by relevant authorities. Furthermore, compliance with any amended law or regulation may force the Group to incur significant capital expenditure, which may adversely and materially affect the Group's operation and profitability.

**The dividends that the Group receive from the PRC subsidiaries may be subject to China tax under the PRC EIT Law, which would have a material adverse effect on the Group's results of operations; the non-PRC Shareholders will be subject to a China withholding tax upon the dividends payable by the Group and gains on the sale of Shares, if the Company is classified as a China "resident enterprise".**

Under the Enterprise Income Tax Law (promulgated by the National People's Congress on March 16, 2007 and became effective on January 1, 2008) (the "**PRC EIT Law**"), dividends, interests, rent, royalties and gains on transfers of property payable by a foreign-invested enterprise in China to its foreign investor who is a non-resident enterprise will be subject to a 10% withholding tax, unless such non-resident enterprise's jurisdiction of incorporation has a tax treaty with China that provides a reduced rate of withholding tax. Under the arrangement for avoidance of double taxation between China and Hong Kong, the effective withholding tax for dividends applicable to a Hong Kong resident company is currently 5% if it directly owns no less than a 25% stake in the China foreign-invested enterprise.

Under the PRC EIT Law, an enterprise established outside China with its "de facto management body" within China is considered a "resident enterprise" in China and is subject to the China enterprise income tax at the rate of 25% on its worldwide income. The PRC EIT Law and its implementation rules are relatively new and contain ambiguous language, especially relating to the identification of PRC-sourced income. The Directors cannot assure you that the Company will not be deemed to be a PRC resident enterprise under the PRC EIT Law and be subject to the PRC enterprise income tax at the rate of 25% on the worldwide income of the Group. If the China tax authorities subsequently determine that our Company should be classified as a resident enterprise, non-PRC Shareholders will be subject to a withholding tax upon dividends payable by the Group and gains on the sale of Shares under the PRC EIT Law. Any such tax may reduce the returns on your investment in the Shares.

## RISKS RELATING TO THE [REDACTED]

**There has been no prior public market for the Shares and the liquidity, market price and trading volume of the Shares may be volatile.**

Prior to the [**REDACTED**], there is no public market for the Shares. The [**REDACTED**] of, and the permission to deal in, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the [**REDACTED**]. Factors such as variations in the Group's revenues, earnings and cash flows, strategic alliances or acquisitions made by the Group or its competitors, industrial or environmental accidents suffered by the Group, loss of key personnel, litigation or fluctuations in the market prices for the products of the Group, the liquidity of the market for the Shares, the general market sentiment regarding the apparel industry could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond the Group's control and unrelated to the performance of the Group's business, especially if the financial market in Hong Kong and the PRC experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the [**REDACTED**].

**Investors may experience dilution if the Group issues additional Shares in the future.**

The Group may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage of ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share. In addition, the Group may need to raise additional funds in the future to finance business expansion or new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders of the Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the [**REDACTED**] Shares.

**Any disposal by the Controlling Shareholders of a substantial number of Shares in the public market could materially and adversely affect the market price of the Shares.**

There is no guarantee that the Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the [**REDACTED**]. The Group cannot predict the effect, if any, of any future sales of the Shares by any of the Controlling Shareholders, or that the availability of the Shares for sale by any of the Controlling Shareholders may have on the market price of the Shares. Sales of a substantial number of Shares by any of the Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

**Historical dividends are not indicative of the Group's future dividends.**

Subsidiaries of the Group declared a dividend of HK$2.4 million for each of the two years ended 31 December 2013 and 2014 and approximately HK$25.3 million for the year ended 31 December 2015 respectively. The value of dividends declared and paid in previous years should not be relied on by potential investors as a guide to the future dividend policy of the Group or as a reference or basis to determine the amount of dividends payable in the future. There is no assurance that dividends will be declared or paid in the future, at a similar level or at all. The amount of any dividends to be declared in the future will be subject to, among other factors, the Directors' discretion, having taken into account the substantial capital requirements of the Group in the foreseeable future, the availability of distributable profits, the Group's earnings, working capital, financial position, capital and funding requirements, the applicable laws and other relevant factors.

In any event, there is no assurance that the Company will receive sufficient distribution from its subsidiaries to support any future profit distribution to the Shareholders, or that the amounts of any dividends declared by the Company in the future, if any, will be of a level comparable to dividends declared and paid by the Group in the past, or by other listed companies in the same industry as the Group.

**Investors may experience difficulties in enforcing their shareholders' rights as the laws of Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located.**

The Company is incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities is set out in the paragraph headed "Protection of minorities and shareholders' suits" in Appendix III to this document.

## RISKS RELATING TO THIS DOCUMENT

**Statistics and industry information contained in this document may not be accurate and should not be duly relied upon.**

Certain facts, statistics, and data presented in the section headed "Industry Overview" and elsewhere in this document relating to the global and PRC markets of the industries have been derived, in part, from various publications and industry-related sources prepared by government officials or Independent Third Parties. The Company believes that the sources of the information are appropriate sources for such information, and the Sponsor and the Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this document. In addition, the Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither the Group, the Directors, the Sponsor, nor any parties involved in the [**REDACTED**] has independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside the PRC. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

**The Group's future results could differ materially from those expressed or implied by the forward-looking statements.**

Included in this document are various forward-looking statements that are based on various assumptions. The Group's future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed "Forward-looking Statements" in this document.