Investors should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making any investment in the Shares in the Placing. 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 BUSINESS OF THE GROUP

The future growth of the Group relies on its ability to open and profitably operate new restaurants and the Group's new restaurants may not operate as successful as the Group anticipates

The Directors believe that the future growth of the Group relies on its ability to open and profitably operate new restaurants. To further expand its operation, the Group currently plans to open two new restaurants by the end of 2013. However, its ability to successfully open new restaurants in the future is subject to a number of risks and uncertainties, including but not limited to:

- difficulties in locating suitable new restaurant sites or securing leases on commercially reasonable terms;
- delays or difficulties in securing required governmental approvals and licences;
- shortage of qualified operating personnel, especially restaurant managers;
- renovation delays or cost overruns; and
- potential cannibalisation effects between existing and new restaurant locations.

In light of the non-compliance incidents of the Group during the Track Record Period which details were disclosed in the sub-paragraph headed "Compliance" of the paragraph headed "Licences and approval" in the section headed "Business" in this prospectus and to ensure the Group's compliance with the relevant licensing requirements in the future, the Group will only open a new restaurant if all requirements under the applicable laws and regulations are complied with prior to its opening. As a result, there may be delays in the opening of new restaurants if the Group is unable to obtain applicable licences and become compliant with applicable laws and regulations in a timely manner.

In addition, the Group expects to incur significant costs in connection with the expansion of its business by opening new restaurants and the expansion may place substantial strain on the managerial, operational and financial resources of the Group. In particular, the management may be stretched or distracted by the operation of new restaurants. There is no assurance that the managerial, operational and financial resources of the Group will be adequate to support its expansion. Moreover, the Group may not be able to attract enough customers to its new restaurants because potential customers may be unfamiliar with its brand name or the atmosphere or menus of its restaurants might not appeal to them. Each new restaurant will generally take several months to reach planned operating levels due to inefficiencies involved in the ramp-up of new restaurants.

There can be no assurance that the revenue of each of the Group's new restaurants will be equal to or exceed those of its existing restaurants. These new restaurants may operate at a loss, which could have an adverse effect on the Group's overall financial performance and business.

In early 2011, the Group decided to take steps to further develop its business and diversify its restaurant portfolio by adopting a new strategy. The major step will include the opening of its sixth restaurant in Yuen Long (i.e. Red Royalty Banquet Restaurant) under *Red Royalty Banquet* (紅爵御宴), which will become the third brand established by the Group, to provide premium and deluxe Chinese wedding banquet services and dining services. It is currently expected that Red Royalty Banquet Restaurant will launch in the fourth quarter of 2011. After the implementation of this branding strategy, the Group will operate six restaurants under three brands.

As at the Latest Practicable Date, the Group incurred approximately HK$454,000 of establishment costs for Red Royalty Banquet Restaurant which mainly consist of deposit payments for restaurant supplies and equipment.

There is no assurance that Red Royalty Banquet Restaurant can generate profit to the Group. Its sales performances may be affected by various factors, such as the target customers' expenditure patterns, tastes and preferences. Increased overhead costs incurred for the restaurant may adversely affect the financial performance of the Group.

Furthermore, it is currently expected that the scale of operation of Red Royalty Banquet Restaurant will be larger than any of the Group's existing restaurants, in terms of total saleable area and services to be provided to the targeted customers. Thus, the Group has to invest more manpower resources for managing and operating this restaurant. There is no assurance that the operational performance of this restaurant will meet the Group's expectations, or that the Group may be able to successfully replicate in this restaurant the present business strategies and model which it has employed to date.

The Group's branding strategies may not achieve desired results

The Group plans to commence a branding strategy in order to develop a more cohesive and engaging portfolio of brands, to better align its brands according to its target customer segments, to update its brands to more effectively meet a number of key industry trends as well as to serve as a platform for its expansion.

In view of the aforesaid objectives, the Group plans to establish *Red Royalty Banquet* (紅爵御宴), which will become the third brand of the Group and Red Royalty Banquet Restaurant will be opened under this brand. As such, after the implementation of branding strategy as mentioned above, the Group will operate six restaurants under three brands.

If there is any negative publicity associated with the branding of the Group during the transition period, such as the overall operational performance of the restaurants operated by the Group is in question, the results of the Group's restaurants could be adversely affected.

Furthermore, the branding plan may disrupt ongoing marketing initiatives for the Group's restaurants in the course of the Group's expansion of the existing brands. The Group therefore cannot assure that its branding plan will not have a material adverse effect on its results of business and financial performance.

All of the Group's revenue during the Track Record Period was derived from its restaurant business in Hong Kong

During the Track Record Period, all of the Group's revenue was derived from its restaurant business in Hong Kong. The Directors anticipate that the Group's restaurant business in Hong Kong will continue to be its core business following the completion of the Placing and the Capitalisation Issue.

Competition in the Chinese restaurant industry in Hong Kong is keen, and the operating results may fluctuate from time to time subject to various factors, including customers' taste and economic performance, most of which fall outside the control of the Group. In addition, the Group has limited experience in business operation in other places, and may have difficulties in relocating its business to other geographic markets. Therefore, if there is any deterioration of the restaurant market in Hong Kong, the Group's business may be significantly affected.

The success of the Group depends in part on its ability to meet customer expectations and anticipate and respond to changing customer preferences

The success of the Group depends to a large extent on its ability to offer menu items that appeal to the changing tastes, dietary habits, expectations and other preferences of its target customers.

The restaurant industry is characterised by the continuous introduction of new concepts and is subject to rapidly changing customer preferences and dining habits. If the Group is unable to identify new customer trends or preferences and develop and offer new menu items accordingly, or if it lags behind its competitors in introducing and developing new dishes that appeal to its customers, or if the cuisine offered at the Group's restaurants is not well received by its target customers, sales of the Group may be adversely affected. Moreover, changing customer preferences may require the Group to incur significant costs to survey and research customer trends and preferences and develop and market new menu items which may place substantial strain on the financial resources of the Group.

The Group may not be able to renew, amend or transfer its licences for operating its restaurants or obtain new licences for its new restaurants

As a prerequisite for operating restaurants in Hong Kong, three principal types of licences are required, including: (i) a general restaurant licence issued by the DFEH of the FEHD; (ii) a liquor licence issued by the LLB that was applied for and granted to an individual employee of the relevant restaurant; (iii) a water pollution control licence issued by the DEPD of the EPD. The general restaurant licence and the liquor licence are typically granted for a period of one year and the water pollution control licence is granted for a period of not less than two years, subject to continuous compliance with the relevant requirements in the relevant legislation and subsidiary legislation, such as hygiene, food quality and environmental matters, and upon payment of the respective licence fees. New restaurants will be granted a provisional restaurant licence which is valid for a period of up to six months to allow the restaurant operator to commence business operations pending the issue of a full restaurant licence. As at the Latest Practicable Date, a general restaurant licence, a water pollution control licence and a liquor licence were issued in respect of the premises in which each of the Group's restaurants operates and all of these licences are still valid and subsisting. The expiry dates of such existing licences fall between 26 July 2011 and 30 June 2016. The application for renewal of liquor licence by Tsuen Wan Red Seasons which will expire on 26 July 2011 was made on 3 May 2011. In any event, the Group will not sell or supply liquor without a valid liquor licence.

The Group has encountered certain compliance issues with its restaurants in the past. The holders of the general restaurant licence in respect of Lam Tei Red Seasons and Plentiful Delight Banquet Restaurant were Tin Ho and Jubilant respectively instead of their respective operating company (i.e. Sencas and Gayety respectively). If the Group is found to have been in breach of section 31(1) of FBR for the carrying on of restaurant business by a person who is not the named licensee of the relevant restaurant licence, the maximum penalty is a fine of HK$50,000, imprisonment for six months to which the person who causes, permits or suffers to be carried on the restaurant business in such manner shall be liable and, in the case of continuing offences, an additional daily fine of HK$900. The court may also impose a prohibition order prohibiting the use of the premises for the restaurant business or, in the case of a breach of the prohibition order, a closure order closing down the premises.

In addition, applications for the water pollution control licence have not been made for any of the Group's restaurants before commencing the discharge of trade effluents into specific water control zones. Pursuant to section 11(1) of the WPCO, if the Group is found to have been in breach of section 8(1), 8(2), 9(1) or 9(2) of the WPCO for any prohibited discharges thereunder, the maximum penalty is imprisonment for six months to which the person who commits the offence shall be liable and, in the case of a first offence, a fine of HK$200,000, in the case of a subsequent offence, a fine of HK$400,000, and in the case of a continuing offence, an additional daily fine of HK$10,000.

For details of these compliance issues, please refer to the sub-paragraph headed "Compliance" of the paragraph headed "Licences and approvals" in the section headed "Business" in this prospectus.

There can be no assurance that the Group will be able to renew or amend or transfer (as the case may be) any of the licences as and when required. In addition, opening new restaurants is an expansion method of the Group and new licences would be required for its new restaurants. If the Group is unable to obtain new licences for its new restaurants, its business expansion plan may be disrupted.

As at the Latest Practicable Date, all holders of the liquor licence of each of the Group's restaurants were employees of the Group.

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 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 a transfer is required by the Group, 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 business and profitability of the Group.

The Group has no long-term contract with its existing suppliers for the constant supply of quality food ingredients

The ability to source quality food ingredients at competitive prices in a timely manner is crucial to the Group's business. This assists the Group in the preparation of its menus and provide forerunning selections to its target customers. However, the Group has no long-term contract with its existing suppliers. For each of the years ended 31 December 2009 and 2010, the total purchase from its five largest suppliers in aggregate accounted for approximately 36.0% and 38.1% respectively, and its purchase from its largest supplier accounted for approximately 10.3% and 9.8% respectively, of its total purchases. During the Track Record Period, none of the Group's key suppliers ceased or indicated that it would cease supply to the Group, and the Group did not experience any material delays or interruptions in securing the supply of food ingredients from its key suppliers.

There can be no assurance that the Group is able to maintain business relationships with its suppliers, and in particular, its five largest suppliers. If the Group's suppliers are not able to supply food ingredients to it or the quality of their food ingredients deteriorates or is affected by other factors outside its control, it may not be able to locate alternate supply promptly and on comparable commercial terms. Its performance could therefore be adversely affected.

The availability and price fluctuations of food ingredients and other supplies, in particular, the continued increases in the prices of food and other supplies in the PRC, will affect the business and financial performance of the Group

The Group's business is highly dependent on a sufficient supply of food ingredients and other supplies that meet the quality requirements of the Group.

Sufficiency in the supply of food ingredients may be affected by many factors, such as the occurrence of diseases, droughts, floods, earthquakes or other disruption on a significant scale. A material shortage in the supply of food ingredients will affect the production and the processing of food products as well as the operation of the restaurants of the Group. This may in turn have an adverse effect on the Group's financial performance and business. Suppliers may take into account factors, such as quality of food ingredients, duration of supply agreement, logistics arrangement, seasonal factors and demand and supply of food ingredients in determining the price of food supply. As such, fluctuations in the supply of food ingredients will in turn affect the market price of these food ingredients.

Most of the food ingredients and other restaurant supplies of the Group are sourced from the PRC. The major food ingredients used by the Group which are sourced from the PRC include pork, chicken, shrimp and other seafood. The prices of such food ingredients have experienced volatility and is affected by various factors, such as weather and harvest conditions of the food ingredients, the policies of the PRC government and market competition. Food prices and prices of other supplies have been rising sharply in the PRC in recent years. According to the National Bureau of Statistics of China, the PRC consumer price index, its key inflation indicator, rose by 4.9% and food price were up 10.3% year-on-year in January 2011.

Although the State Council of the PRC has announced a series of measures in August 2010 and November 2010 to stabilise food prices in the PRC, support production, safeguard supply and curb illegal pricing practices, there is no way to be certain how long the current increase in price of food and other supplies in the PRC may continue and to what extent it may affect the restaurant industry. The Group currently does not engage in futures contracts or other financial risk management strategies against potential price fluctuations in the cost of food and other supplies as the Group purchases food and other supplies at prevailing market prices.

There is no assurance that food ingredient prices will not fluctuate or the Group will not experience any shortage of supply of food ingredients in the future. If the Group experiences a rise in the price of its food ingredients and it is unable to source other substitutes nor transfer the cost increment to its customers, the Group's business and financial results could be adversely affected.

Decline in the quality of food ingredients that the Group purchases will affect the financial performance of the Group

The core raw materials for the food production process of a restaurant business are food ingredients and the Group's restaurant business heavily relies on a reliable supply of quality and fresh food ingredients. Thus, the Group places emphasis on sourcing reliable suppliers that provide quality and fresh food ingredients.

There can be no assurance that the quality of food ingredients used by the Group remaining at a high standard. Certain factors which are beyond the Group's control, such as change in weather conditions, decline of quality of animal feed and change of feeding conditions and methods, may adversely affect the quality of the food ingredients and in turn have an adverse effect on the Group's business and financial results.

Disruptions to any of the Group's restaurants will affect its financial conditions and results of operation

The Group's operations are vulnerable to interruption by typhoons, fires, floods, earthquakes, power failures and power shortages, computer hardware and software failures, computer viruses and other events beyond its control. For example, any prolonged interruption to the operation of the Group's restaurants due to blackouts or shortage of electricity and/or water may have a material adverse effect on the Group's business and financial results.

The Group's business is also dependent on prompt delivery and quality transportation of its raw materials and food ingredients. Certain events, such as adverse weather conditions, natural disasters, severe traffic accidents and delays, non-cooperation of its suppliers or their logistics partners and labour strikes, could also lead to delayed or lost deliveries to its restaurants or customers, which may result in the loss of revenue or customer claims. There may also be instances where the conditions of fresh, chilled or frozen food ingredients, being perishable goods, deteriorate due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation by its suppliers and their logistics partners. This may result in a failure by the Group to provide quality food and services to customers, thereby affecting its business and damaging its reputation. Any such events experienced by the Group could disrupt its production and other operations and it does not carry business interruption insurance to compensate the Group for losses that may occur as a result of such events.

The Group's business may be affected by the outbreak of food-related diseases or contagious diseases, any adverse publicity or complaints on food safety or services

The Group's restaurants have been recognised for delivery of high quality Chinese cuisine and wedding banquet and dining services. In December 2010, Lam Tei Red Seasons, one of the Group's restaurants, was awarded the Michelin Bib Gourmand, a Michelin Guide distinction awarded to restaurants judged to be "wonderful restaurants with top-quality cuisine at highly affordable prices". The Directors believe it would deepen the public's perception that the Group's restaurants offer good quality Chinese cuisine.

Given the nature of the restaurant industry, the Group faces an inherent risk of food contamination and product liability claims. Certain kinds of food including eggs, sauces, vegetables and various kinds of seafood have been found to contain hazardous substances to human's health. 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 of food ingredients used by the Group could affect public confidence in the Group's food products may lead to a loss in consumer confidence and reduction in consumption of the particular food product concerned. Customers may also allege the loss of personal property in the Group's restaurants. The Group may also have to incur additional costs in placating any customers or salvaging its reputation or may have to look for alternative sources of food supply which may be more costly. Any such complaints, allegations or negative publicity, regardless of their validity, may damage the Group's business reputation which could adversely affect the Group's business.

During the Group's ordinary course of business operations, the Group received complaints from its customers, which were mainly related to the quality of food or services at its restaurants. The Group's customers lodged complaints by informing the managers of the Group's restaurants. If there is any material incident associated with the quality of food and services provided by the Group's restaurants, it may give rise to potential liability to the affected customers and may adversely affect the Group's business reputation. Customers may lose confidence in the Group for a long period of time. This can have a profound impact not only on the business of the relevant restaurant, but also the Group's other restaurants of the same brand.

In the event that the Group's insurance coverage is inadequate, it may be required to compensate its customers for any illness or injuries suffered, or damage to personal property if it is found to be at fault. If any complaint escalates to become a claim against the Group, even unsuccessful, it would be required to divert resources to address the claim. Liabilities in respect of such claims could adversely affect the Group's financial position and results of operations.

Current restaurant locations may become unattractive, and attractive new locations may not be available for a commercially reasonable price, if at all

The success of any restaurant depends in substantial part on its location. As at the Latest Practicable Date, most of the Group's restaurants were located either on busy roads or in shopping arcades to ensure a continuous and steady flow of target customers. There can be no assurance that the current restaurant locations of the Group will continue to be attractive as demographic patterns of the surrounding environment may decline or otherwise change in the future. If there are any adverse changes to the surroundings of the areas where the Group's restaurants are located, such as the closing down of shopping arcades or the development of heavy construction works which cause the surrounding pedestrian flow to drop dramatically, the revenue from these locations will be adversely affected.

In addition, if the Group cannot obtain desirable restaurant locations at commercially reasonable prices, its ability to implement its growth strategy will be adversely affected.

During the years ended 31 December 2009 and 2010, the Group incurred approximately HK$10.1 million and HK$22.1 million respectively as operating lease rental expenses, representing approximately 8.0% and 10.5% respectively of the Group's total revenue. Most of the Group's restaurants are leased from Independent Third Parties and the Group has an exposure to the retail rental market. The Directors estimate that generally, rental for premises that are suitable for restaurant business in Hong Kong will continue to increase. If there is any substantial increase in market rental, the Group's profitability could be adversely affected.

There may also be a shortage of suitable premises in Hong Kong for restaurants. In particular, the Group's restaurants require large premises. The total saleable area of the Group's restaurants ranges from approximately 595.60 sq.m to 1,712 sq.m. Even if suitable premises are available, the lease terms may not be acceptable to the Group. In such event, the Group's plan for opening new restaurants may be delayed or cannot be implemented at all, which could have an adverse impact on its growth.

The Group may not be able to renew the existing leases at commercially reasonable terms, or at all, upon the expiration of the existing terms. In addition, the Group may not be able to negotiate leases of longer term. In the event that the Group needs to relocate any of its existing restaurants, its business could be interrupted and additional relocation costs will need to be incurred. As a result, its business and profitability could be adversely affected.

The Group may be required to relocate its business

The property in relation to the office in Yuen Long is currently subject to mortgage. The relevant landlord has not obtained the mortgagee's consent in entering into the tenancy agreement. Until the requisite mortgagee's consent is obtained, there is a risk that the tenancy agreement will not be binding on the mortgagee and if the landlord defaults on the mortgage, the mortgagee may exercise its right to repossess the property pursuant to the terms of the mortgage. The Group is in the process of liaising with the landlord to obtain the relevant mortgagee's consent. There is no assurance that the landlord will be able to obtain the relevant mortgagee's consent.

There is no assurance that the Group would be able to secure a prompt relocation to suitable premises, nor is there any assurance that the relocation will not have any adverse impact on the Group's business, which may in turn affect the revenue and financial performance of the Group.

The Group has a history of net current liabilities

The Group had recorded net current liabilities of approximately HK$6.6 million and HK$5.8 million as at 31 December 2009 and 2010 respectively. The net current liabilities of the Group as at 31 December 2009 and 2010 was primarily due to the short-term bank borrowings of approximately HK$16,262,000 as at 31 December 2009 and the net amounts due to directors of approximately HK$10,384,000 as at 31 December 2010, resulting from renovation of existing restaurants and opening of new restaurants. The short-term bank borrowings as at 31 December 2009 accounted for approximately 41.4% and the net amounts due to directors as at 31 December 2010 accounted for approximately 24.9% of the total current liabilities. The major factor attributable to the net current liabilities position of the Group as at 31 December 2009 and 2010 despite the healthy operating cash inflow was the expenditure in relation to the opening of new restaurants during the respective years. There is no assurance that the Group's operations will generate sufficient cash inflow to finance all the Group's activities and cover its general working capital requirements in the future. In the event that the Group is unable to generate enough cash from its operations to finance its future development, the performance and prospects of the Group as well as its ability to implement its business plan will be adversely affected. For further details of indebtedness and liquidity, financial resources and capital structure of the Group, please refer to the section headed "Financial Information" of this prospectus.

Seasonality and other factors may affect the financial performance of the Group

The Group's financial performance may fluctuate from period to period due to various factors, such as seasonality and overall performance of each of the Group's restaurants.

Chinese wedding banquets are generally less popular in the months of July and August as the Chinese ghost festival usually falls within these months and it is considered inauspicious to get married. The revenue generated by providing such services tends to be lower during these months in each year. Further, the overall results of the financial performance may fluctuate from period to period due to several factors, such as the following:

- the operating costs of the new restaurants are comparatively greater during the first few months of operations; and

- the revenue generated during the first few months of operations are comparatively lesser as the customer base has not been built up maturely.

As such, the results of the financial performance of the Group may fluctuate from period to period and any comparison of different periods may not reflect the overall financial performance of the Group accurately.

The Group may encounter difficulty in sustaining profitability

The revenue of the Group for the years ended 31 December 2009 and 2010 was approximately HK$126.5 million and HK$210.3 million respectively. The profit attributable to owners of the Company for the year ended 31 December 2010 amounted to approximately HK$10.0 million, representing an increase of approximately 5.9% as compared with that for the year ended 31 December 2009. The net profit margin, calculated as profit attributable to owners of the Company divided by revenue decreased from approximately 7.4% for the year ended 31 December 2009 to approximately 4.7% for the year ended 31 December 2010, primarily as a result of the initial set up cost, including kitchen consumables, operation staff cost and operating lease rental expenses incurred before the commencement of the two new restaurants, Shatin Red Seasons and Tsuen Wan Red Seasons, during the year ended 31 December 2010.

The Group is heavily dependent on its key executives and personnel

The Group's performance depends, to a significant extent, on the continued services and the performance of its key management members. Many of the key individuals, including all the executive Directors, listed in the section headed "Directors, Senior Management and Staff" in this prospectus and major chefs of the Group have substantial experiences in operating restaurants. Competition for key management personnel is intense and there is no assurance that the Group can maintain, develop and continually tap on the leadership skills of its key management personnel. Save for Mr. Wong KM, Ms. Lau LY and Mr. Li WH, the Company has not maintained any key-man insurance during the Track Record Period. The insurance maintained for Mr. Wong KM and Ms. Lau LY have been discontinued as at the Latest Practicable Date. If one or more of such key management personnel are unable or unwilling to continue in their present positions due to health reasons or otherwise, and the Group is not able to find a suitable replacement within a reasonable period of time or at all, the business and operations of the Group may be materially disrupted. In addition, 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 its established network of suppliers and customers. As such, the failure to retain its key executives and personnel could adversely affect the business and financial results of the Group.

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

The quality of food served by the Group's restaurants is critical to the Group's success. Maintaining consistent quality of the food provided by the Group's restaurants depends significantly on the effectiveness of the Group's quality control systems, which in turn depends on a number of factors, including the design of the Group's quality control systems and its ability to ensure that its employees adhere to those quality control policies and guidelines. Any significant failure or deterioration of the Group's quality control systems could have a material adverse effect on the Group's reputation, results of operations and financial condition.

The operation of the Group's restaurants opened during the Track Record Period may not be as smooth as the Group anticipates

Since 2009, the Group established three restaurants for expanding its restaurants business during the Track Record Period, namely Shatin Red Seasons, Tsuen Wan Red Seasons and Tuen Mun Red Seasons. As such, to cope with the increased scale of operation, the Group invested more resources in operating these recently opened restaurants which resulted in the increase of the overhead costs and operation expenses of the Group accordingly.

The revenue of these recently opened restaurants depends on the economic atmosphere of Hong Kong and competition by competitors offering similar food and services at competitive prices which may be beyond the control of the Group. Hence, there can be no assurance that these recently opened restaurants can generate stable and considerable revenue to the Group in short run and the increased overhead costs and operational expenses incurred by these recently opened restaurants may adversely affect the Group's profitability and business as a whole.

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

The Group receives and handles large amounts of cash in its daily operations. In addition, certain employees are authorised to make supply purchases on its behalf. There have been various publicised instances of fraud, theft, bribery, corruption and other misconduct involving employees, customers and other third parties against large restaurant chains in recent years. Such instances can be difficult to fully detect, deter and prevent, and could subject the Group to financial losses and damage its reputation. In order to avoid misappropriation and illegal uses of cash, the Group implemented specific procedures on cash custody, such as segregation of duties and daily reconciliation of the cash receipt with the cash sales record. The Group also adopted a cash management and delivery system in each of the restaurants. The Group has engaged a security company to collect cash at each restaurant and deliver it to the bank on a daily basis to ensure the safety of cash received by the Group. For details of the measure and procedures implemented by the Group to prevent such fraud or other misconduct, please refer to the sub-paragraph headed "Settlement" of the paragraph headed "Sales and marketing" in the section headed "Business" in this prospectus. In the event the Group may be unable to prevent, detect or deter all such instances of fraud, theft, bribery, corruption or other misconduct, such fraud, 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 its business, financial condition and results of operations.

The Group's operations are cash intensive, and its business could be adversely affected if it fails to maintain sufficient levels of working capital

The Group expends a significant amount of cash in its operations, principally to fund its raw material procurement. Its suppliers require payment in full mostly within approximately 45 days after the end of the month in which the relevant purchases are made. In turn, the Group typically requires its customers of its food products to make payment in full on consumption. The Group primarily funds most of its working capital requirements out of cash flow generated from operations. If the Group fails to generate sufficient revenues from its sales, it may not have sufficient cash flow to fund its operating costs and its business could be adversely affected.

The Group relies on information technology systems, which may be susceptible to failures

The Group depends on its information technology systems to monitor the daily operations of its restaurants and food production and processing facilities and to maintain accurate and up-to-date financial data for the compilation of management information and the making of business decisions. Any system failures in these processes may cause interruptions to the input, retrieval, processing or transmission of data and could disrupt the business operations of the Group and consequently its results of operations.

The Group may be unable to adequately protect its intellectual property, which could harm the value of its brands and adversely affect its business

The Directors believe that the Group's brands are essential to its success and its competitive position. Although the Group has four trademarks registered and has six trademark applications pending in Hong Kong, there is no assurance that any of the pending trademark applications would be successful and the Group may not be able to protect its intellectual property adequately. For further details, please refer to the paragraph headed "Intellectual Property Rights" in the section headed "Business" in the prospectus. There is no assurance that the trademark registration applications would be successful. If the Group fails in any of its trademark registration applications described above, or if it is held by any court or tribunal to have infringed on any trademark of others, its business may be adversely affected.

In addition, third parties may infringe upon the Group's intellectual property rights or misappropriate its proprietary knowledge, which could have a material adverse effect on its business, financial condition or operating results. The Group may, from time to time, be required to initiate litigation to protect and enforce its trademarks and other intellectual property rights, and to protect its trade secrets. Such litigation could result in substantial costs and diversion of resources, which could negatively affect its sales, profitability and prospects. Moreover, even if any such litigation is resolved in the favour of the Group, it may not be able to successfully enforce the judgment and remedies awarded by the court and such remedies may not be adequate to compensate it for its actual or anticipated related losses, whether tangible or intangible.

In addition, the Group may face claims of infringement that could interfere with its use of its proprietary know-how, concepts, recipes or trade secrets. The Group may be required to incur a substantial amount of costs in defending against such claims and, if the Group is unsuccessful, it may also 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. In such event, the Group's financial performance and business reputation will be adversely affected.

If there is any legal action or claim against the Group or any member of the Board or senior management of the Group, the Group's performance, business reputation and profitability could be adversely affected

For each of the years ended 31 December 2009 and 2010, there were claims made by the Group's employees against the Group, which mainly related to personal injuries arising in the ordinary course of employment or business operations of the Group.

There have been the following claims made by employees against the companies in the Group since the founding of the Group in 2006:

(1) An employee filed a claim against Red Seasons at Labour Tribunal in 2010 for terminating the contract of service before a personal injury claim is settled. The parties reached an agreement that Red Seasons would pay a sum of HK$3,500 to the employee in full and final settlement of the claim.

(2) Two employees filed a claim against RS Catering at Labour Tribunal in 2011 for failure to pay wages and grant annual leave in relation to a dispute concerning the notice period for the termination of their respective employment contracts. RS Catering made a counterclaim against the two said employees on the ground that each of the employment contracts were terminated without sufficient notice or payment in lieu of notice. The parties reached an agreement that RS Catering would pay an aggregate sum of HK$18,264.93, the amount of which was determined by the ruling of the Labour Tribunal, to the employees in full and final settlement of the claim.

(3) In 2008, an employee slipped and fell backward in the kitchen of Plentiful Delight Banquet Restaurant during the course of her employment. She sprained her body and sustained left hip injury. The said employee filed a claim against Gayety at the District Court under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) in 2009. The parties reached an agreement that Gayety would, in addition to the advanced payment of HK$14,160, pay a sum of HK$50,554 to the employee in full and final settlement of the claim. The parties also reached a pre-action settlement in respect of the employee's personal injuries claim under common law in the sum of HK$300,000 in 2011. According to the legal representative of Gayety in this action, the settlement sum has been fully paid and is covered by the insurance policy of Gayety.

(4) In 2007, an employee suffered from an electric shock when he switched on the light of the Plentiful Delight Banquet Restaurant during the course of employment and sustained injury. He filed a claim against Gayety at the District Court under the Employees' Compensation Ordinance in 2009. The parties reached an agreement that Gayety would pay a sum of HK$86,838 to the employee in full and final settlement of the claim. The said employee has also made a personal injuries claim against Gayety under common law for a sum of HK$692,644 in 2010. The case has been set down for trial on a running list not to be warned before July 2011. According to the legal representative of Gayety in this action, the amount claimed is covered by the insurance policy of Gayety.

According to the litigation search records of the Group, the total number of employees' claims against the Group since the founding of the Group is insignificant when compared with the total number of employees employed by the Group.

Name of restaurant	Current operating company	Number of employees	Total number of employees' claims
Plentiful Delight Banquet Restaurant	Gayety	182	2
Lam Tei Red Seasons	Tin Ho	80	0
Tuen Mun Red Seasons	Red Seasons	93	1
Shatin Red Seasons	RS Corporation	79	0
Tsuen Wan Red Seasons	RS Catering	99	1
	Total	533	4

Since most of the above employees' claims have been fully paid and the amount claimed in the outstanding legal action in (4) above is not substantial and is covered by insurance, the Company and the Directors consider that the above legal proceedings would not, individually or taken as a whole, materially and adversely affect the Group's business, financial condition or results of operations. Save as disclosed above, the Group complied with all applicable laws and regulations on employees' safety in all material aspects during the Track Record Period. The Directors consider that as (i) the Group has adopted employees' safety measures and that it has complied with all applicable laws and regulations on employees' safety in all material aspects; and (ii) the Group has revisited its employees' safety measures after those incidents in order to ensure the measures adopted by the Group are sufficient, the Directors are of the view that the employees' safety measures of the Group are adequate and the safety compliance records are acceptable.

The Group has encountered certain compliance issues in the past. For details of these compliance issues, please refer to the sub-paragraph headed "Compliance" of the paragraph headed "Licences and approvals" in the section headed "Business" in this prospectus. If it is found that a member of the Board or senior management of the Group commits an offence under section 31(1) of the FBR, he or she could be liable to imprisonment for six months. Any such incident or allegation may damage the Group's reputation. In such event, the Group's business could be adversely affected.

There can be no assurance that the Group will not face any litigation or claim in the future. In such event, the Group's performance, business reputation and profitability could be adversely affected.

If the Group fails to continue to improve its infrastructure, management or operational systems or to obtain financial resources to support its expansion, the Group may be unable to achieve its expansion objectives and its business and operations may be harmed

The Group faces the risk that its existing senior personnel, operational systems and tools, financial controls, information systems and other systems and procedures may be inadequate to support its planned expansion. The Group may not be able to respond on a timely basis to the demands that its planned expansion will impose on its infrastructure, management, operational systems and financial resources. The Group expansion plans may require significant amounts of management time and financial resources and divert such resources from its existing business and operations. If the Group fails to continue to improve its infrastructure, management or operational systems or to obtain financial resources required to support its planned expansion, it may be unable to achieve its expansion objectives and its business and operations may be harmed.

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 its operating subsidiaries. As a result, its ability to pay dividends depends on dividends and other distributions received from these 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's business depends on the macro-economic situation in Hong Kong and may be adversely affected by reductions in discretionary consumer spending as a result of downturns in the economy and increase in inflation

The Group's core business is operating Chinese restaurants in Hong Kong and the performance of which is closely correlated with the economic condition of Hong Kong. Given that consumer habits are particularly sensitive to the state of the economy, any deterioration of the economy, decrease in disposable consumer income, fear of a recession and changes in consumer confidence may affect consumer preferences and spending, which in turn reduce the discretionary spending. This will adversely affect the Group's business. In the event of an economic downturn, consumers will tend to become more budget conscious and sensitive to the amount they are willing to spend on food. As the business of the Group is concentrated in Hong Kong, it is heavily dependent on the Hong Kong economy. If consumers' spending pattern change or if there occurs any significant decline in the Hong Kong economy and the Group is unable to divert its business to other geographic locations, its revenue, profitability and business prospects will be materially affected.

According to the composite consumer price index ("**Composite CPI**"), a key inflation indicator, released by the Census and Statistics Department of Hong Kong, overall consumer prices rose by 2.9% in November 2010 over the same month a year earlier, larger than the corresponding increase (2.6%) in October 2010. Netting out the effects of all Government's one-off relief measures on loan deferment, the year-on-year rate of increase in the Composite CPI in November 2010 was 2.6%, larger than that in October (2.3%), was mainly due to the enlarged increases in private housing rentals, as well as the prices of food, particularly that on salt-water fish. On a seasonally adjusted basis, the average monthly rate of increase in the Composite CPI for the 3-month period from September to November 2010 was 1.0%, and that for the 3-month period from August to October 2010 was 0.8%. Netting out the effects of all Government's one-off relief measures on loan deferment, the average monthly rate of increase in the Composite CPI for the 3-month period from September to November 2010 was 0.4%, and that for the 3-month period from August to October 2010 was 0.3%.

The implicit price deflator of gross domestic product (GDP), as a broad measure of overall inflation in the economy, increased by 2.5% in the third quarter of 2010 over a year earlier, after registering virtually no change in the second quarter.

An increase in inflation, often triggered by the increase in energy prices, will increase the Group's costs of business and create inefficiencies in its operations. It will also reduce the disposable incomes of the Group's customers and create uncertainty over future inflation, resulting in decreased spending in dining or choosing restaurants with lower-priced food, which may in turn affect the business of the Group. A significant increase in inflation, which is beyond control of the Group, may have an adverse effect on the Group's business and financial performance.

The Group operates in a highly competitive industry

Competition in the restaurant industry is highly intense. The Group faces intense competition from a large and diverse group of restaurant chains and individual restaurant operators, and food manufacturers who are engaged in the production of similar products. There are numerous Chinese restaurants in Hong Kong offering different cuisine. Restaurants in Hong Kong also offer non-Chinese cuisines, such as Japanese, Korean, Vietnamese, Indian, French and Italian. The Group competes directly with certain other Chinese restaurants and indirectly with operators in other market segments in the restaurant business. The Group competes on the basis of taste, quality, price of food offered, customer service, ambience, and the overall dining experience. Some of the Group's competitors may have longer operating histories, larger customer bases, better brand recognition, and better financial, marketing and public relations resources. As it competes with other competitors as well as new market entrants, the Group's business and results of operations may be adversely affected in the event that it is not competitive in terms of its pricing, or there is deterioration in the quality of its food products or its level of service.

As the Group works towards expanding its restaurant network, it may also have to compete with other retailers for the acquisition of prime shop spaces or experienced employees. The competition for prime locations may increase the bargaining power of landlords seeking to lease out their properties. Consequently, the Group may not be able to rent these prime locations on terms which are comparable to its existing restaurants, or its competitors may offer better terms than the Group does. It may also have to offer experienced management staff higher wages in order to recruit or retain them. Such instances will increase the Group's operating costs, thereby affecting its financial performance.

The revenue of the Group for the years ended 31 December 2009 and 2010 was approximately HK$126.5 million and HK$210.3 million respectively. The Group achieved a profit attributable to owners of the Company of approximately HK$9.4 million and HK$10.0 million respectively for the years ended 31 December 2009 and 2010. With increasing competition within the industry, there can be no assurance that the Group can continue to achieve any profit 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 operating costs

There can be no assurance that the requirements for obtaining general restaurant licences, water pollution control licences and liquor licences in Hong Kong will not become more stringent. Operations of food and beverage establishments, including restaurants, are required to comply with increasingly stringent 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.

Any failure to comply with existing regulations, or future legislative changes, could require the Group to incur significant compliance costs or expenses or result in the assessment of damages, imposition of fines against it or a suspension of any part of its business, which could materially and adversely affect the Group's financial condition and results of operations. The Group may have to incur more costs in complying with any changing laws and regulations in relation to the restaurants industry on hygiene, fire and safety standards. In addition, should the Group fail to comply with more stringent licensing requirements, its restaurants may be required to cease operation, and its profitability could be adversely affected.

Labour shortages or increases in labour costs could slow its growth, harm its business and reduce its profitability

Restaurant operations are highly service-oriented and therefore, the Group's success depends in part upon the Group's ability to attract, motivate and retain a sufficient number of qualified employees, including restaurant managers, kitchen staff and wait staff, all of which are necessary to keep pace with its anticipated expansion schedule and meet the needs of its existing restaurants. To support the growth of the business of the Group, it is necessary to increase work force of skilled employees. It is anticipated that the staffing requirements of the

Group can be satisfied through internal transfers and local hiring. However, there is no assurance that the Group will not experience difficulty in recruiting personnel. Qualified individuals are in short supply and competition for these employees is intense. Any future inability to recruit and retain qualified individuals may delay the planned openings of new restaurants and could adversely impact its existing restaurants. Any such delays, any material increases in employee turnover rates in existing restaurants or any widespread employee dissatisfaction could have a material adverse effect on its business and results of operations. In addition, competition for qualified employees could also require the Group to pay higher wages which could result in higher labour costs. As at the Latest Practicable Date, the Group employed a total of 533 full-time employees working at its offices and restaurants in Hong Kong. For each of the years ended 31 December 2009 and 2010, the Group incurred approximately HK$33.7 million and HK$61.8 million as employee benefits expenses respectively, representing approximately 26.6% and 29.4% respectively, of the Group's total revenue. It is expected that the labour cost of the Group will increase as a result of the expected expansion of its business. The failure to attract experienced personnel at a desirable level of labour costs could adversely affect the business, financial condition and results of operations of the Group.

Moreover, minimum wage requirements in Hong Kong have increased and could continue to increase the Group's labour costs in the future. The salary level of employees in the restaurant industry in Hong Kong has been increasing in the past few years. The Group may not be able to increase its prices in order to pass these increased labour costs on to its customers, in which case the Group's profit margins would be negatively affected. The new law in respect of statutory minimum wage came into force on 1 May 2011 and the initial statutory minimum wage rate is HK$28 per hour. The new law provides more protection for employees and imposes more obligations on the employers. The Group estimates that its annual labour cost will increase by approximately HK$1.7 million for each of the two years ending 31 December 2012 as a result of the implementation of such new law based on the number of headcount and level of employee benefits offered by the Group as at 31 December 2010. The Directors will revisit the work allocation of the employees of the Group from time to time in order to minimise the impact of the new regulation on the Group. The Directors confirm that the Group complies with the new law in respect of the minimum wage requirements. The Group is training its human resource management personnel and restaurant management personnel on the provisions and implications of the new law after conducting a comprehensive review of the past practices of the Group and has maintained a comprehensive employee list which sets out details of the monthly salaries and working hours of the employees in order to ensure compliance with the relevant statutory requirements. As such, the Group may incur additional compliance cost in this regard.

The Group's business may be negatively affected in instances of contagious disease of animals, food-borne illness and outbreaks of other diseases, as well as negative publicity relating to such instances in Hong Kong or other markets in which the Group operates

Any outbreak of food-borne diseases such as Swine Influenza, which is also known as pig flu, and Bovine Spongiform Encephalopathy, which is also known as BSE or mad cow disease, whether or not traced to restaurants of the Group, may lead to a loss in consumer confidence and reduce customer traffic and restaurant sales. In addition, any negative publicity relating to these and other health-related matters may affect consumers' perception of restaurants of the Group and its food products, reduce customer traffic of the Group's restaurants and negatively impact sales of the Group.

In addition, an epidemic outbreak, including severe acute respiratory syndrome, which is also known as SARS, or avian influenza, in Hong Kong or other markets in which the Group operates could severely reduce customer traffic of the Group's restaurants and harm the results of the Group's operations. The Group does not have any specific insurance coverage for any loss of the Group as a result of any outbreak of the abovementioned contagious disease.

RISKS RELATING TO THE PLACING

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

The Listing is by way of the Placing and the Shares have not been listed or quoted on any stock exchange or open market before completion of the Placing. There is no assurance that there will be an active trading market of the Shares on GEM upon Listing. In addition, the market price of the Shares to be traded on GEM may differ from the Placing Price and investors should not treat the Placing Price as an indicator of the market price of the Shares to be traded on GEM.

Upon Listing, the trading volume and market price of the Shares may be affected or influenced by a number of factors from time to time, including but not limited to, the income, profit and cash flow of the Group, new products, services and/or investments of the Group, changes of senior management of the Group, and general economic conditions. There is no assurance that such factors will or will not occur and it is difficult to quantify the impact on the Group and on the trading volume and market price of the Shares.

An active trading market of the Shares may not develop

Prior to the Placing, there has been no public market for any of the Shares. There can be no guarantee that an active trading market for the Shares will develop, or, if it does develop, that it will be sustained following completion of the Placing, or that the market price of the Shares will not fall below the Placing Price.

Purchasers of the Placing Shares will experience an immediate dilution and may experience further dilution if the Company issues additional Shares or other securities in the future

Based on the Placing Price range, the Placing Price is expected to be higher than the net tangible asset value per Share immediately prior to the Placing. Therefore, the purchasers of the Placing Shares will experience an immediate dilution in unaudited pro forma net tangible asset value to HK$0.15 per Share and HK$0.25 per Share based on the Placing Price of HK$0.60 per Placing Share and HK$1.00 and per Placing Share respectively. Additional funds may be required in the future to finance the expansion or new developments of the business and operations of the Group or new 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 existing Shareholders, the percentage ownership of the Shareholders in the Company may be diluted or such new securities may confer rights and privileges that take priority over those conferred by the Placing Shares.

Future sales by existing Shareholders of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares

There is no assurance that the substantial shareholders of the Company or Controlling Shareholders will not dispose of the Shares held by them. The Group cannot predict the effect, if any, of any future sales of the Shares by any substantial shareholder of the Company or Controlling Shareholder may have on the market price of the Shares. Sales of a substantial amount of Shares by any substantial shareholder of the Company or Controlling Shareholder or the issuance of a substantial amount of new Shares by the Company, or the market perception that such sales or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

Historical dividends may not be indicative of the amount of future dividend payments or the Group's future dividend policy

Total dividend of approximately HK$2.4 million and HK$1.5 million was paid during the years ended 31 December 2009 and 2010 respectively. In March 2011 and May 2011, the Group declared and paid interim dividends of HK$16.0 million and HK$7.0 million respectively. The Group's ability to pay dividends or make other distributions to the Shareholders is subject to the future financial performance and cash flow position of the Group. The Group may not be able to distribute dividends to the Shareholders as a result of the abovementioned factors.

Accordingly, the Group's historical dividend distribution should not be used as a reference or basis to determine the level of dividends that may be declared and paid by the Group in the future. The Group may not be able to record profits and have sufficient funds above its funding requirements, other obligations and business plans to declare dividends to the Shareholders.

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS

Statistics and facts in this prospectus have not been independently verified

This prospectus includes certain statistics and facts that have been extracted from Government official sources and publications or other sources. The Company believes the sources of these statistics and facts are appropriate for such statistics and facts and has taken reasonable care in extracting and reproducing such statistics and facts. The Company has no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts from these sources have not been independently verified by the Company, the Sponsor, the Lead Manager, the Underwriters, any of their respective directors or any other party involved in the Placing and therefore, the Company makes no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.