An investment in our Shares involves various risks. You should consider carefully all the information set out in this prospectus and, in particular, the risks and uncertainties described below before making an investment in the Shares. The occurrence of any of the following events could harm us. If any of these events occur, the trading price of the Shares could decline and you may lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS

We depend on the strength of our "周大福" (CHOW TAI FOOK) brand, and any deterioration in our brand could have an adverse effect on our sales, profitability and the implementation of our growth strategy.

We consider our "周大福" (CHOW TAI FOOK) brand to be one of our most important assets. We derive substantially all of our turnover from sales of our jewellery products, which rely on the strength of our brand. The strength of our brand is based on our reputation for providing authentic and high quality products with superior craftsmanship, complemented by consistent customer service across all of our POS. Our image is also built on our ability to control the perception of our brand, our product designs, the materials used to make our products, the presentation and quality of our products, the image of the stores in which our products are sold and the effectiveness of our brand messaging.

Failure to manage any of the above factors or the failure of our promotion and other activities to distinguish and further strengthen our brand could adversely affect the value and perception of our brand and image, as well as our ability to maintain existing or attract new customers. In addition, any failure to maintain effective quality control over our products could adversely affect our reputation and brand. Should our brand or image deteriorate, we may not be able to maintain our current prices and/ or sales volumes or introduce new products or enter new markets, which may materially and adversely affect our business, results of operations, financial condition and our growth strategies.

Challenging economic conditions and economic uncertainty over a prolonged period of time could adversely affect our sales or growth.

We are a retailer of discretionary products and our turnover is particularly sensitive to changes in economic conditions and consumer confidence, especially those in the PRC, Hong Kong and Macau, where most of our turnover is generated. Consumer confidence is affected by, among other factors, general business conditions, stock market and real estate market conditions, as well as by current and expected future global or regional macroeconomic conditions such as employment rates, inflation and interest rates. Due partly to the economic slowdown in 2008 and 2009, our sales for FY2010 grew at a slower pace than our historical sales growth rate. For FY2010, our turnover grew 24.6% while our turnover grew at a CAGR of 38.0% between FY2009 and FY2011. Moreover, our Same Store Sales Growth for FY2010 was 15.6%, which was lower than the 33.8% recorded for FY2011 due to the impact of the global financial crisis on the economy in 2009.

Although recent data have not shown any deterioration in consumer purchases, we cannot assure you that consumer demand will not be impacted by the continuing weakness in the global economic condition or any future deterioration of economic condition in the PRC. In the event that our competitors react to any declines in consumer confidence by reducing retail prices, our ability to maintain our market share may be adversely impacted, and we may have to intensify our marketing efforts in order to compete effectively. Such efforts, such as more aggressive promotions, or reduction of our retail prices to respond to price competition, may materially and adversely affect our business, results of operations and financial condition.

A decrease in the number of tourists travelling to Hong Kong and Macau could negatively impact our sales, profitability and financial position.

PRC tourists constitute the largest single customer group for our sales in Hong Kong and Macau, as evidenced by the fact that approximately 43.6% and 49.3% of our retail turnover in Hong Kong and Macau were settled via China UnionPay or in RMB (cash) during FY2011 and 1HFY2012, respectively. The growth in travel from the PRC to Hong Kong and Macau has contributed to increased sales of our products in Hong Kong and Macau over the past decade. A significant portion of our customers from the PRC who make purchases in Hong Kong and Macau are tourists, and the travel industry is highly susceptible to certain kinds of events that can negatively affect demand for travel to Hong Kong and Macau, including changes in PRC government policies on granting tourist visas to enter Hong Kong and Macau; outbreaks of contagious diseases such as SARS, avian flu, swine flu or similar epidemics; or natural disasters. Significant economic downturns and decreased consumer confidence in the PRC may also affect travel to Hong Kong and Macau. To the extent that the travel industry is impacted by events that adversely affect tourism to Hong Kong and Macau, our product sales in Hong Kong and Macau could decline significantly, which could have a material adverse effect on our business, results of operations and financial condition.

Fluctuations in prices, or any unavailability, of the raw materials that we use in our products may materially and adversely affect our business, results of operations or financial condition.

Our raw materials, which amounted to HK$11,099.2 million as at 30 September 2011, include, among others, diamonds, gemstones, platinum and gold. Our purchases of gold, diamonds and platinum together represents the largest component of our cost of sales, and fluctuations in the prices of these raw materials can have a significant effect on our business, results of operations and financial condition. In particular, gold and diamond prices have significantly increased over the Track Record Period. Over the period from 2007 to October 2011, the price of gold commodity has risen from an annual/period average of US$695.0 per ounce to approximately US$1,632.0 per ounce, according to the Frost & Sullivan Report. For polished diamonds, the average price in 2009 decreased by 15.5% compared to 2008, but the average price in 2010 increased by 13.9% compared to 2009 and the average price for the first ten months of 2011 increased by 26.3% compared to 2010. For more details on the commodity prices, please see the section “Industry Overview — Overview of Raw Materials Prices”.

We manage commodity price risks mainly by hedging gold price fluctuations through gold loan and bullion forward contracts, and by passing on price increases to our customers through higher selling prices. Changes in the fair value of gold loans and bullion forward contracts affect cost of goods sold as they reflect our methods to hedge the risk of price changes in our gold inventory. The fair value changes of gold loans included in the cost of goods sold for FY2009, FY2010, FY2011, 1HFY2011 and 1HFY2012 were HK$17.8 million, HK$483.8 million, HK$725.7 million, HK$413.6 million and HK$343.4 million, respectively. The (gain)/loss on bullion forward contracts included in cost of goods sold for FY2009, FY2010, FY2011, 1HFY2011 and 1HFY2012 were HK$nil, HK$(6.7) million, HK$224.6 million, HK$123.0 million and HK$151.7 million, respectively. For more details on our gold loan and bullion forward contracts, please see the sections headed “Financial Information — Indebtedness — Gold Loans” and “Financial Information — Quantitative and Qualitative Analysis about Market Risk — Commodity Price Risk Management”. We do not conduct hedging of our other raw materials as no established hedging instruments are available for certain raw materials, such as diamonds, that we use in our products.

Gold prices have increased significantly over the past few years. Although we hedge the risks of price fluctuations in gold through gold loan arrangements and bullion forward contracts, there is no guarantee that we will be able to continue to do so in the future at a reasonable cost or at all.

Gold prices may be affected by a number of factors, such as (i) industrial and jewellery demand, (ii) lending, sales and purchases of gold by government agencies (including central banks) and multilateral institutions that hold gold, and other proprietary trading and (iii) sales of recycled gold, levels of gold production, production costs and supply disruptions in major gold-producing nations, such as South Africa, the United States and Australia. Gold prices may also be affected by factors resulting from how gold markets are structured, such as non-concurrent trading hours of gold markets and, at times, rapid short-term changes in supply and demand because of speculative trading activities. Other factors affecting the price of gold include the structure of, and confidence in, the global monetary system, expectations of the rate of inflation, the relative strength of, and confidence in, the US dollar (the currency in which the price of gold is generally quoted), interest rates, gold borrowing and lending rates, and global or regional economic, political, regulatory, judicial or other events, as well as wars and other upheavals.

While a significant percentage of our raw materials are commodities, which are obtainable through a variety of sources, if the (i) availability of, (ii) our access to, or (iii) the cost of purchasing certain raw materials that we need for our products is adversely affected (for example, due to a decrease in the number of suppliers of such raw materials, or a reduction in the overall availability of such raw materials — whether due to a lack of supply, the loss of a supply contract, increased demand from our competitors or fluctuations in world market prices), we may have to pay more for, or may be unable to source, these raw materials. For instance, we use diamonds in our jewellery production and a majority of the world's supply of rough diamonds is controlled by a limited number of diamond mining firms. While we have supply agreements with the DTC and Rio Tinto, any decisions made by this limited number of diamond mining firms to restrict the supply of rough diamonds could substantially impair our ability to source diamonds at commercially acceptable prices, if at all.

In addition, as we are currently a DTC Sightholder and a Rio Tinto Select Diamantaire under our supply agreements with the DTC and Rio Tinto, respectively, the DTC and Rio Tinto have agreed to supply us with rough diamonds at a stipulated minimum quality, up to a stipulated value, for a specified period. We cannot assure you that we will be able to maintain our status as a DTC Sightholder or a Rio Tinto Select Diamantaire or we will be able to continue to renew our supply agreements on the same terms or on commercially acceptable terms, if at all. Any such adverse changes, or similar changes in the supply of other raw materials, may require us to increase prices or reduce the production of certain products and could materially and adversely impact our business, results of operations or financial condition.

We also face supplier concentration risks. Our largest single supplier relates to our purchases of gold and platinum in the PRC through the Shanghai Gold Exchange which represented around 27% to 31% of our total purchases each year/period over the Track Record Period, while purchases from our next four largest suppliers (for purchases of various raw materials and merchandise) represented approximately 20% to 24% of our total purchases each year/period over the Track Record Period. Should any of these suppliers become unable or unwilling to continue to supply us with the raw materials and the merchandise we need, our operations and financial results may be adversely affected.

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

The success of our business in the regions in which we operate is dependent on our ability to identify market trends and customer preferences in those regions, and then to design and bring to market in a timely manner products that satisfy the current preferences of a broad range of customers in each respective region, by either enhancing existing products or developing new product offerings. For example, in addition to conducting market research, our customer loyalty programmes enhance our ability to understand the spending behaviour of our customers, which in turn helps us gain customer loyalty as well as gauge market trends and customer preferences. However, any change to our customer loyalty programmes may not be well received by all customers and may adversely affect our reputation. In addition, customer preferences differ across and within each of our regions, and shift over time in response to changing aesthetics and economic circumstances. We cannot assure you that we will anticipate or respond to changes in customer preferences in one or more of the regions in which we operate. Even if we do anticipate and respond to such changes, we cannot assure you that we will bring to market in a timely manner enhanced or new products that meet these changing preferences. If we fail to anticipate or respond to changes in customer preferences or fail to bring to market in a timely manner products that satisfy new preferences, our market share and our sales and profitability could be adversely affected.

The jewellery business is highly competitive. If we are unable to remain competitive, we will lose market share to our competitors as well as to new entrants in the markets in which we operate.

The jewellery and watch markets are highly competitive, and we face competition from many competitors who compete against us on a national or local level, including those high-end luxury brands that do not exclusively focus on jewellery or watches but whose product offerings include jewellery or watch product lines. We face strong competition from national and local competitors in jewellery, while we face competition from retailers of all scales with respect to watches. Local retailers, in particular, tend to have lower cost bases. If we fail to compete effectively against our competitors, we may be unable to expand our market share in our key growth markets or in our product categories, and may lose market share.

We may not be able to find suitable locations for new POS on commercially acceptable terms, if at all.

Our performance depends, to a significant extent, on the location of our new POS. When selecting a site for a POS, we take into account various factors, including:

- whether it is located in a central or prime shopping district, or in a shopping centre with significant consumer traffic;
- the risk of cannibalisation of existing POS sales by the new POS opening;
- its convenience and accessibility to our target consumer group;
- the expected pedestrian flow;
- the size of the available space;
- the availability of supplementary facilities including parking lots; and
- the level of surrounding competition.

Except for our self-operated Concessionaire Counters which are typically located within department stores, we generally lease the premises of our self-operated POS, with a small number of our self-operated POS occupying self-owned properties. Going forward, as we open more POS, we will need to secure more retail locations through leases or ownership, as determined on a case-by-case basis. The supply of prime locations for new POS is scarce and the competition to secure these locations is intense. As a result, we may not be able to identify and lease or acquire suitable locations for our new POS.

In the past few years, the overall cost of securing prime locations in the PRC through leasing or acquisition arrangements has increased significantly. This is particularly the case for prime retail locations. As a result, we expect our cost of securing new retail locations for our new POS, whether through leases or ownership, to increase in the near future. Our ability to purchase or lease suitable properties on terms acceptable to us is critical to the success of our business and expansion strategy. We cannot assure you that we will be able to lease or acquire suitable locations on terms commercially acceptable to us, as we have been able to do so in the past. In the event that we encounter difficulties in securing suitable sites for POS in the localities we plan to expand into, our business and growth prospects will be adversely affected.

We may not be able to renew all of our existing leases or concessionaire agreements for our POS when they expire, or if they are terminated, on terms acceptable to us.

As at 30 September 2011, we leased the premises for 182 out of 1,053 of our self-operated POS. The term of a significant majority of our leases ranges from one year to four years. It is important to our business that the existing leases for our POS are maintained and renewed. In recent years, property prices and rental related expenses in the PRC, Hong Kong and Macau have fluctuated, but overall have increased significantly. In the event we are unable to renew our leases on terms acceptable to us or such leases are terminated for any reason prior to their expiration, we will need to relocate the relevant POS to alternative premises. Relocation of any POS may cause disruptions to our business and may require significant expenditures, and we cannot assure you that in such a case, we will be able to find alternative premises that are suitable or on commercially acceptable terms, in a timely manner, if at all.

As at 30 September 2011, 862 out of 1,053 of our self-operated POS were operated as Concessionaire Counters within department stores through concessionaire agreements. Most of our concessionaire agreements related to POS in the PRC need to be renewed every one to two years. In consideration for maintaining our Concessionaire Counter within a department store, the host department store takes a commission of our sales in terms of concessionaire fees. Expenses for our host department stores, such as rental expenses, may increase in the future. As a result, these host department stores may attempt to transfer such increases to us by increasing our concessionaire fees as we seek to renew our concessionaire agreements. In any event, we cannot assure you that we will be able to renew our concessionaire agreements on the same terms or on commercially acceptable terms, in a timely manner, if at all. Consequently, our business, results of operations, financial condition and growth strategies may be materially and adversely affected.

Our new POS may not achieve our expected level of profitability within our desired time frame, or at all.

As part of our growth strategy, we plan to establish more POS within the geographical areas where we currently operate and in new areas where we currently have no presence. With plans to reach over 2,000 jewellery POS by 2016, we aim to open a net of approximately 200 jewellery POS per year. Opening new POS requires significant capital outlays upfront, including with respect to the price of acquisition or rental for the premises, the renovation and decoration of the premises, the purchase of inventory, and the hiring and training of managers and sales staff. Although a new POS generally yields an operating profit within the first year of its operation, it may not achieve our expected level of profitability for a prolonged period of time, or at all, due to a variety of factors, including, among others, (i) our ability to properly position our new POS and to execute our business strategy in the locality, (ii) actions by our existing or new competitors in the same locality and (iii) the effectiveness of our marketing activities in the locality. Some of these factors are not entirely within our control. If our new POS do not break even or achieve our expected level of profitability within our expected timeframe, or at all, our expansion plan and profitability may be adversely affected.

We purchase watches from suppliers of international brands on an order-by-order basis, and as a result we rely on their continuing cooperation with us.

Our sales of watches accounted for 6.3%, 7.0%, 7.1%, 8.6% and 7.7% of our total turnover for FY2009, FY2010, FY2011, 1HFY2011 and 1HFY2012, respectively. Although we have entered into framework agreements with certain of our watch suppliers, such agreements do not guarantee that they will necessarily supply us with their watches. It is a customary industry practice to source watches from suppliers of international brands on an order-by-order basis. While we have well-established business relationships with reputable watch suppliers, including affiliates of LVMH Group, Richemont Group, Rolex group and Swatch Group, these international suppliers of watches (among others) may reduce or cease their cooperation with us, or they may opt for dealerships or retail arrangements in their own respective names and thereby compete against us. Should any of these circumstances arise, we may not be able to source watches from other brands of comparable quality, image or prestige. As a result, our watch business could be adversely affected. Furthermore, our brand, reputation and business strategy to cross-sell our jewellery products through our watch POS network may be negatively affected, which may materially and adversely affect our overall business.

We may face reputational damage as well as lost sales opportunities if we are not able to adequately provide oversight and control of our franchisees.

We rely on local expertise and the decision-making of the managers and staff of our local franchisees. As at 30 September 2011, we work with over 150 franchisees, most of which are in the PRC. The terms of our franchise agreements regulate various facets of the operations of the local franchisees, which aim to ensure a uniform shopping experience and consistent high-quality customer service across all our POS. At the same time, we give our franchisees a certain amount of autonomy to make use of their local knowledge and expertise to develop our business, and while our franchisees source their products from us and are required to adhere to the various terms of our franchise agreements, they are ultimately responsible for the end-customer's shopping experience, including the customer service they deliver.

We cannot assure you that our franchisees will not make decisions or take actions that are not in our best interests, thereby harming our business, and cause the diversion of management resources or litigation exposure from third parties. Furthermore, should any of our franchisees fail to comply with the terms of our franchise agreements, or fail to exercise sound business judgment in operating their respective POS, we may be unable to capitalise on growth opportunities in certain markets if we rely on such franchisees with respect to our entrance into or expansion in these markets. Such actions by our franchisees may also lead to uneven shopping experiences and inconsistent customer service for our customers, which would harm our reputation and brand.

We may be exposed to counterparty risks in connection with our hedging transactions.

We enter into hedging transactions in order to protect against movements in the price of gold. For details on our maximum potential exposure for gold loans and derivative financial instruments as at each of the year/period end during the Track Record Period, please see the section headed "Financial Information — Commodity price risk management". We choose only reputable banks that are active in the gold hedging market and have well-capitalised financial positions. We diversify our portfolio of hedging transactions across many counterparties. For details about our internal control for hedging transactions, please see the section headed "Financial Information — Commodity price risk management — Internal control". After entering into a hedging transaction, we monitor gold prices closely and remain alert as to any news concerning our counterparties and any changes in their financial position. Our management also holds regular meetings to review the effectiveness of our hedging strategies. However, we cannot assure you that our counterparties will not default or otherwise fail to perform their obligations under those gold hedging transactions. Any such event may materially and adversely affect our business, results of operations and financial condition.

We may not be successful in utilising hedging instruments to manage the fluctuations in gold price.

We enter into gold loans and bullion forward contracts as part of our commodity price risk management policy to seek to reduce our exposure to fluctuations in gold price. We enter into hedging transactions whenever our net gold inventory balance changes. On a daily basis, a comparison is made between the long position (being our gold inventory balance) and short position (being our gold loan balance and outstanding bullion forward contracts). The fair value changes of gold loans, which were included in cost of goods sold, were HK$17.8 million, HK$483.8 million, HK$725.7 million and HK$343.4 million for FY2009, FY2010, FY2011 and 1HFY2012, respectively. The (gain)/loss on bullion forward contracts, which are included in cost of goods sold, were HK$nil, HK$(6.7) million, HK$224.6 million and HK$151.7 million for FY2009, FY2010, FY2011 and 1HFY2012, respectively.

The changes in the value of our hedging instruments are primarily the result of the changes in gold price. Any potential gain or loss from our hedging instruments will be largely offset by the inherent effect arising from our business. Please see the section headed "Financial Information — Quantitative and Qualitative Analysis About Market Risk — Commodity Price Risk Management". We intend to continue using gold loans and bullion forward contracts to hedge gold price fluctuations in the future. However, we cannot assure you that our hedging instruments will continue to be effective in hedging gold price movements and that our hedging strategy will be able to protect us from unfavourable gold price movements. Failure to utilise our hedging instruments effectively in managing our exposure to gold price movements could have a material and adverse effect on our business, financial condition and results of operations.

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

We rely on information technology systems, such as the Order and Production System (OPS2) and the Inventory Control System (ICS), for the timely exchange of business information between our headquarters and individual POS, and these systems are critical to our day-to-day business operations. We cannot assure you that our information systems will always operate without interruption or malfunction. Any breakdown for an extended period of time, or other failure of our information systems from, among other things, security breaches, viruses, hacking or damage to the hardware or software systems, may cause interruptions to our operations and inventory management, and may adversely affect the integrity of our information, our business performance and profitability. Although we have disaster recovery systems and have back-up systems in place, we cannot assure you that these systems will be adequate to support our operations in the event of a prolonged breakdown of our primary system, or that our back-up systems will not be damaged simultaneously with our primary system, in which case our business operations will be materially and adversely affected. In addition, the increasing business complexity of our operations due to our growth strategies may place additional requirements on our systems, controls, procedures, and management and, as a result, may strain our ability to manage our future growth.

Our processing and production plants are concentrated in the Pearl River Delta.

A majority of our jewellery products are processed and produced in our production facilities located in Hong Kong, Shenzhen and Shunde, which are all located in the Pearl River Delta. The concentration of our production facilities and our raw material warehouses in a single geographical region, the Pearl River Delta, means that our business and results of operations are dependent on the degree to which we are able to continue to import raw materials into, manufacture products in, and export products from, this region. Our ability to do so with respect to Shenzhen and Shunde, both of which are in Guangdong province, could be particularly adversely impacted due to unfavourable changes in PRC government rules and regulations, such as foreign investment policies or tax policies, political unrest or the adoption of more restrictive import and export policies in Guangdong province or within the PRC in general.

More generally, our operations in the Pearl River Delta could also be adversely impacted due to changes in local economic conditions, increases in wage levels, trade issues, strikes or other labour unrest in, or affecting, our production facilities, widespread public health problems in the Pearl River Delta (such as a renewed outbreak of SARS, avian flu, swine flu or similar epidemics), delays in shipments to or from the Pearl River Delta, or other disruptions due to power outages, theft, robbery, fire or natural disasters. Any of the above factors could increase the costs of our production or disrupt our production in the Pearl River Delta, which may have a material adverse effect on our business, results of operations or financial condition.

In addition, our operations depend significantly on our ability to manage our inventory efficiently and deliver products to our POS network in a timely and efficient manner. The warehousing of our raw materials and finished products are concentrated in a select number of warehouses in the Pearl River Delta. Power outages, theft, robbery, fire, flood, natural disasters or other factors affecting these concentrated warehousing facilities would lead to disruptions in the supply of raw materials to our processing and production facilities and supplies of finished products to our POS network.

Our insurance coverage may not cover all losses.

We maintain different types of insurance policies to cover our operations, including public liability, business interruption, marine cargo, intellectual property, property damage, trade credit, crime insurance (including theft or other criminal damage), political risks, general umbrella liability, employee compensation, product warranty, group life and personal accident insurance. However, there may be circumstances under which certain types of losses, damages and liabilities are not covered by our insurance policies. In addition, although we have crime insurance, the amount of coverage may not be sufficient in covering all losses.

We rely upon certain key personnel. If they leave or become unable or unwilling to fulfil their roles, this may have an adverse effect on our business and future growth.

Our success depends significantly on the efforts and abilities of key individuals who have valuable experience and knowledge of our products and industry, and who have made substantial contributions to the development of our operations, the design and craftsmanship of our products, and raw material procurement. For example, jadeite procurement and selection require technical expertise that is difficult to find, develop and replicate. If we were to lose such personnel, including those from our senior management team, design and production team, or raw material procurement team, or other key employees, or if these individuals fail to devote the same amount of time and effort to our business as they have done in the past, we cannot assure you that we would be able to replace such individual or individuals with new personnel capable of making the same contribution in the near term or at all. As such, the loss of the services of one or more of these key individuals, or any negative market or industry perception arising from such loss, could have a material adverse effect on our business, results of operations and financial condition.

We rely on short-term borrowings to fund our operations.

We use external financing to support the growth and expansion of our business. As at 30 September 2011, our current liabilities include bank borrowings of HK$9,021.7 million and gold loans from various banks of HK$4,960.8 million. These borrowings are used mainly to finance our inventories and have increased over the Track Record Period as we expanded our POS and product selection. Although we have maintained good relationships with our banks that provide us with such financing and have not experienced any difficulties in repaying our borrowings, our ability to continue to obtain financing is subject to a variety of factors. Such factors include our future financial condition, operating results and cash flows, as well as the general condition of global and domestic financial markets, and changes in monetary policies, interest rates and lending policies. Should we be unable to refinance our short-term borrowings upon maturity, we may have to reduce our inventories and capital expenditures and delay our expansion plans, which in turn may materially and adversely affect our business and results of operations.

Our sales may be affected by seasonality.

In the PRC, Hong Kong, Macau and other Asian markets, the demand of our products is event-driven due to the Chinese tradition of jewellery gift-giving at ceremonial and festive events such as Christmas, Chinese New Year, Valentine's Day, weddings and newborn arrivals. As a result, our sales are subject to seasonal fluctuations. The peak seasons for our sales include the PRC National Day holiday which is a seven-day public holiday around 1 October every year in the PRC (the "**Golden Week**") and the period from Christmas through Chinese New Year till Valentine's Day, and the amounts of our inventory and the use of working capital increase between September and February in anticipation of and during periods of higher sales. Due to these seasonal factors, comparison of sales and operating results between different periods within a single financial year may not be meaningful and should not be relied upon as indicators of our performance. In addition, these seasonal consumption patterns may cause our operating results and financial condition to fluctuate from period to period.

The Group's past intra-group loan advancing activities may be subject to penalties.

The Group's past intra-group loan advancing activities may be subject to penalties. During the Track Record Period, Shenzhen CTF and certain non-controlling shareholders of certain subsidiaries in the PRC had made advances to certain of the Group's subsidiaries in the PRC. As advised by our PRC legal adviser, these advances contravened certain provisions of the Lending General Provisions (貸款通則) promulgated by the PBOC in 1996. According to the Lending General Provisions and other relevant regulations, the PBOC may suppress the activity and impose a fine which may be equivalent to one to five times of the income generated from such advances on the lenders. Our PRC legal adviser has advised that the risk of PBOC imposing a penalty on the Group is remote on the basis that (i) as at the Latest Practicable Date, the Group has not received any notice of non-compliance of the Lending General Provisions, (ii) as at 31 March 2011 and 30 September 2011, there was no outstanding amount due to Shenzhen CTF from the Group's subsidiaries relating to such past loan advancing activities during the Track Record Period and (iii) the Group has ceased making such past loan advancing activities and will not make such advances going forward.

With respect to the amount of HK$238.6 million due from the Group's subsidiaries to the non-controlling shareholders of such subsidiaries as at 30 September 2011, the Group has commenced converting such relevant amounts to registered capital of the Group's subsidiaries. For details of such amounts due to non-controlling shareholders, please see the section headed "Financial Information — Related Party Balances". The Group's subsidiaries were borrowers in such transactions, and as such, any possible penalty imposed by the PBOC is neither relevant nor applicable to the Group because the non-controlling shareholders, being the lenders, are not part of the Group. The Lending General Provisions do not provide for any penalty on borrowers and the Group is not aware of any plans of the PBOC to levy such a fine or other penalty on either the lenders or the borrowers in the PRC. Our PRC legal adviser has advised that the risk of the PBOC imposing a penalty on the Group as a result of the past loan advancing activities between the non-controlling shareholders and the Group's subsidiaries is remote. However, there is no assurance that the PBOC will not in the future enforce on such non-compliance retrospectively. If the PBOC interprets the Lending General Provisions differently to impose penalty on borrowers and imposes a fine on our subsidiaries, our results of operations may be adversely affected.

We may not be able to successfully identify, acquire or integrate businesses in pursuing our growth and expansion plans.

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

- inability to identify suitable acquisition targets or complete acquisitions at commercially acceptable terms or prices;

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

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

The potential impact of any future fluctuation in the prices of gold and platinum on our profit forecast is unclear.

The profit forecast data of the Group for the year ending 31 March 2012 as set out in the sections headed "Summary — Profit Forecast for the Year Ending 31 March 2012" and "Financial Information — Profit Forecast for the Year Ending 31 March 2012" has been prepared based on the market prices of gold and platinum at the time of the preparation of such data. While the prices of gold and platinum are subject to fluctuation in the future, the potential impact of any such future fluctuation on such data is unclear. We are a retailer of a broad range of discretionary products and our sales and profitability are not affected by the prices of gold and platinum alone. Our sales and profitability are affected by, among other things, a wide range of other factors which may influence discretionary spending decisions, including the prices of other raw materials such as diamonds and gemstones, celebrations, special occasions, consumer preferences, market trends, sales and marketing strategies, economic conditions and seasonality. The prices of gold and platinum therefore may not have a strong or direct correlation with consumers' demand for gold or platinum products or with our sales and profitability. Accordingly, it is difficult to ascertain the impact of any future fluctuation in the prices of gold and platinum on such data.

While we expect to meet our growth rate reflected in our profit forecast for the year ending 31 March 2012, we cannot assure you that our growth rate is sustainable in the long term.

Based on our performance for 1HFY2012, we expect to be able to meet our growth rate as reflected in our profit forecast for the year ending 31 March 2012. During the Track Record Period, we have expanded our operations rapidly in the PRC, Hong Kong and Macau. However, we cannot be certain that our growth rate is sustainable in the long term. Our revenues and results are impacted by changing economic conditions. Jewellery products are discretionary and are dependent on consumers' perception of general economic conditions, particularly as jewellery is often perceived to be a luxury purchase. Adverse changes in the economy and periods when discretionary spending by consumers may be under pressure could unfavourably impact sales and earnings. Accordingly, our long-term outlook is dependent on economic conditions, which could adversely affect our business, financial condition, results of operations and prospects in ways that we cannot predict. We therefore cannot be certain that our growth rate will be sustainable in the long run.

Our business depends on our intellectual property, particularly our trade name and trademarks, which we may not be able to protect against infringement and unauthorised use in counterfeit products.

We believe that the "周大福" (CHOW TAI FOOK) trade name and related trademarks are critical to our success and competitive advantage. Our policy is to register and protect our trade name, trademarks and other intellectual property rights in the jurisdictions where we operate, to the extent we are able to under relevant local law. We are not aware of any material violations, infringements or unauthorised use in relation to our trade name or trademarks within the PRC or elsewhere. During the Track Record Period and up to the Latest Practicable Date, there has not been any litigation against us arising from the use of any of our trademarks or trade name. However, we are aware of infringements by other parties of our trade name or trademarks and we take action against such other parties from time to time. We cannot assure you that the steps we have taken to protect our trade name or trademarks are sufficient or will be sufficient to protect our trade name or trademarks, or that our trade name or trademarks will not be subject to any infringement in the future. Any unauthorised use of our trade name or trademarks could harm our brand, market image and reputation, which could adversely affect our financial condition and results of operations. In addition, we may incur additional costs as a result of any trade name or trademarks infringement claims we initiate, which may divert management's attention from our business and impact our operating results.

Trade names that are identical or similar to our trade name may have been registered or used by third parties in other markets we may decide to enter. As a result, we may incur significant expenses should we decide to acquire the right to use our trade name in these markets. If we are unable to acquire these rights on acceptable terms, or at all, we may be unable to enter these markets using our trade name. Furthermore, others may attempt to counterfeit our products, sell "周大福" (CHOW TAI FOOK) brand look-a-likes or make unauthorised use of our trademarks and proprietary information, including the content on our website. The unauthorised use of our trade name and trademarks in counterfeit products could harm our market image and reputation, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We have successfully in the past deterred and taken actions in cooperation with the relevant PRC authorities in several counterfeiting cases. However, we cannot assure you that counterfeiting of our products will not occur in the future in the PRC or elsewhere and that we will be able to effectively deter or address counterfeiting or other types of infringement of our intellectual property rights in a timely manner. Any occurrence of counterfeiting of our products, or other types of infringement of our intellectual property rights, could negatively affect our reputation and brand image, which will lead to loss of consumer confidence in our brands and in turn adversely affect our results of operations. In addition, any litigation in respect of infringements of our intellectual property rights and products may be costly and will divert the management's attention as well as other resources away from our business. As a result, such litigation may have a material adverse effect on our business, financial condition and results of operations.

Some of our landlords have not registered the lease agreements for properties leased to us, which may adversely affect our right to use such properties.

As at 30 September 2011, we had entered into 103 lease agreements for our POS for which the relevant landlords have not registered the lease agreements with the relevant governmental agencies. We cannot assure you that the rights relating to these POS under these lease agreements will be fully protected. Our turnover derived from POS located on properties with defective leasehold interests accounted for 4.1%, 3.9%, 4.0% and 3.5% of our total turnover for FY2009, FY2010, FY2011 and 1HFY2012, respectively.

The operations we conduct on these properties may be adversely affected as a result of the absence of legal registration of these leases. In particular, we may be required to relocate such operations temporarily or permanently, and such business interruption could adversely affect our business, results of operations and financial condition.

We could be exposed to penalties or other liabilities in the United States if it were determined that our business activities resulted in prohibited transactions with countries and entities that are the subject of U.S. economic sanctions.

As a result of our international activities, we may be subject to the laws and regulations of the various countries in which we do business. Certain such countries, including Myanmar (Burma), are subject to economic sanctions imposed by the United States. While we purchase jadeite from wholesalers based in the PRC who source it from Myanmar and a small proportion of our jadeite is sourced through jadeite auctions organised by the Myanmar government, we do not buy from the Myanmar government and do not believe U.S. economic sanctions are applicable to any of our activities with these suppliers or in Myanmar. In addition, we do not believe that any of our business is restricted by U.S. economic sanctions as administered by the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**") because neither we nor any of our subsidiaries are a United States person as defined under the U.S. sanctions regulations. Furthermore, we do not sell our products into the United States.

However, we cannot predict U.S. enforcement policy with respect to economic sanctions, and it is possible that the relevant authorities will take a different view regarding our status. If it were determined that any of our transactions violated the OFAC regulations, we could be subject to penalties, and our reputation and ability to conduct future business in the United States or with United States persons could be adversely affected. In addition, investors in the United States in particular could be restricted from investing in, and be required to divest any investments in, issuers that are associated even indirectly with sanctioned activities.

RISKS RELATED TO THE PRC

Changing economic, political and social conditions or government policies in the PRC could affect our business and prospects.

A significant portion of our turnover is derived from the PRC. Our turnover in the PRC accounted for 56.0% of our total turnover for 1HFY2012. In addition, PRC tourists constitute the largest single customer group for our sales in Hong Kong and Macau, as evidenced by the fact that approximately 49.3% of our retail turnover in Hong Kong and Macau were settled via China UnionPay or in RMB (cash), for 1HFY2012. Accordingly, our financial condition and results of operations as well as the growth of our business will be affected to a significant extent by economic, political and legal developments in the PRC.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC are still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatments to particular industries or companies. In recent years, the PRC government has implemented measures emphasising the utilisation of market forces in economic reforms, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. These economic reform measures may be adjusted or modified, or applied inconsistently from industry to industry, or across different regions of the country. We cannot predict whether changes in the PRC economic, political and social conditions and government policies will have any material adverse effect on our business or industry.

In addition, changing PRC laws and government policies may materially affect our business and operations. For example, existing environmental regulations require us to establish an environmental protection and management system, which includes adopting effective measures to prevent and control the discharge of waste. If the PRC government introduces more stringent environmental requirements, we will need to incur additional costs to meet these requirements.

Inflation in the PRC may inhibit our ability to conduct some aspects of our operations in the PRC.

Substantially all of our manufacturing operations are located within the PRC. In the future, we expect that labour costs in the PRC will continue to increase, and, as a result, it may become increasingly difficult for us to maintain the profit margins achieved in previous years. In order to maintain our current margins, we may be required either to increase our pricing or to locate our manufacturing elsewhere. If we increase our prices, our sales could fall and we could lose market share if our competitors do not do the same. On the other hand, should we locate our manufacturing operations in areas of the PRC with lower labour costs, it may be difficult to find employees that meet our requirements in terms of training, experience and technical capability, which could affect our manufacturing operations and our ability to meet customer demand. In either instance, our business and results of operations could be adversely affected.

Dividends payable by us to our foreign investors and gains on the sales of our Shares may become subject to withholding taxes under PRC tax laws.

Under the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法) and the Implementation Regulations on the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法實施條例) (collectively the "**New Tax Law**"), unless otherwise stipulated in a relevant tax treaty with the PRC, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (i.e. those that do not have an establishment or place of business in the PRC, or that have such establishment or place of business in the PRC but the relevant income is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. Similarly, unless otherwise stipulated in a relevant tax treaty with the PRC, any gain realised on the transfer of shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC.

If we are considered to be a "resident enterprise", the dividends we pay with respect to your holding of our Shares would be treated as income derived from sources within the PRC, and would thus be subject to PRC income tax. In the event we are considered a "resident enterprise", it is unclear whether the gain you may realise from the transfer of our Shares would be treated as income derived from sources within the PRC and be subject to PRC income tax. If you are required to pay PRC income taxes on the transfer of your holding of our Shares, the value of your investment in our Shares may be materially and adversely affected.

We face taxation uncertainty with respect to the indirect transfer of equity interest in our PRC resident enterprises through transfers made by our non-PRC holding companies.

The State Administration of Taxation issued the Circular on Strengthening the Administration of Enterprise Income Tax on Income Derived from the Equity Transfer of Non-resident Enterprises (Guo Shui Han (2009) No.698) (《關於加強非居民企業股權轉讓所得企業所得税管理的通知》) (the "**Circular**") on 10 December 2009, which was made retrospectively effective from 1 January 2008. Pursuant to the Circular, where a non-PRC investor (the actual controlling party) indirectly transfers the equity interests of a PRC resident enterprise through disposing of its equity interests (the "**Indirect Transfer**") in a non-PRC holding company, and such non-PRC holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the non-PRC investor shall report the Indirect Transfer to the competent tax authority of the PRC resident enterprise. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the non-PRC holding company if it lacks a reasonable commercial purpose and is established for the purpose of avoiding PRC tax. The Circular also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

In connection with our Reorganisation, we conducted, or were involved in, a series of indirect transfers of equity interests in our PRC subsidiaries. If the relevant PRC tax authorities hold that our overseas holding company to be transferred does not have substance or the Indirect Transfer does not have any bona fide commercial purpose and was conducted for the purpose of avoiding PRC tax, or any such transfers are otherwise taxable under the Circular, we may be required to pay enterprise income taxes for the Indirect Transfers. However, since further detailed implementation rules of the Circular have not been issued by the State Administration of Taxation and in practice the views of the implementation of the Circular vary across different local tax authorities, it remains unclear how the PRC tax authorities will use the "substance over form" principal to examine the substance of the non-PRC holding companies and the bona fide commercial purpose of the Indirect Transfer.

Uncertainties in the PRC legal system may have a material adverse effect on us.

A significant portion of our business and operations is conducted in the PRC and is therefore subject to PRC laws, rules and regulations. Our PRC subsidiaries are generally subject to laws, rules and regulations applicable to foreign investments in PRC and, in particular, laws, rules and regulations applicable to wholly foreign-owned enterprises. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference by the courts but have limited value as legal precedents. Since the late 1970s, the PRC government has significantly enhanced PRC legislation and regulations to provide protections to various forms of foreign investments in the PRC. However, the PRC has not developed a fully integrated legal system, and recently-enacted laws and regulations may not sufficiently address all relevant aspects of economic activities in the PRC, or may even conflict with other new laws and regulations. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions.

The implementation of the PRC Labour Contract Law and other labour-related regulations may increase our operating expenses and may adversely affect our business and results of operations.

On 29 June 2007, the PRC National People's Congress enacted the PRC Labour Contract Law (the "**Labour Contract Law**"), which became effective on 1 January 2008. The Labour Contract Law formalises, among others, workers' rights concerning overtime hours, social insurance and layoffs, the execution, performance, modification and termination of labour contracts, the clauses of the labour contracts and the role of trade unions therein. In particular, it provides for specific standards and procedures for entering into non-fixed-term labour contracts as some of our employees do.

As the Labour Contract Law has been enforced for only a short period, substantial uncertainty remains as to its potential impact on our business and results of operations. The implementation of the Labour Contract Law may increase our operating expenses, in particular our costs of human resources and our administrative expenses. In the event that we decide to significantly modify our employment or labour policy or practice, or reduce the number of our employees or otherwise, the Labour Contract Law may also limit our ability to effect the modifications or changes in the manner that we believe to be most cost-efficient or otherwise desirable, which could materially and adversely affect our business and results of operations.

In addition, Social Insurance Law of the People's Republic of China (the "**Social Insurance Law**"), was promulgated on 28 October 2010 and became effective on 1 July 2011. The implementation of the Social Insurance Law could increase our staff costs and expenses associated with social insurance payable in the PRC. As the Social Insurance Law is a newly enacted law, substantial uncertainty remains as to its implementation and interpretation by governmental authorities in the PRC and its potential impact upon our business, financial condition and results of operations.

Future fluctuations in foreign exchange rates and government control in currency conversion may adversely affect our financial condition and results of operations as well as our ability to remit dividends.

A substantial proportion of our turnover and expenditure is denominated in RMB, which is currently not a freely convertible currency. We will require Hong Kong dollars for dividend payments (if any) to our Shareholders. In addition, the price at which we purchase raw materials from our suppliers may be affected to the extent our suppliers' raw materials are imported or otherwise subject to foreign currency fluctuations. The value of the RMB is subject to changes in the PRC government's policies and depends to a large extent on the domestic and international economic and political developments, as well as supply and demand in the local market. For instance, in the PRC, since 1994, the conversion of the RMB into foreign currencies, including the Hong Kong and US dollars, has been based on rates set by the PBOC.

Since 1994, the official exchange rate for the conversion of RMB to US dollars has generally been stable. The PRC government, however, has, with effect from 21 July 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On 21 July 2005, this revaluation resulted in the RMB appreciating against the US dollar and Hong Kong dollar by approximately 2% on that date. On 23 September 2005, the PRC government widened the daily trading band for the RMB against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. On 20 June 2010, the PBOC announced that it intends to further reform the RMB exchange rate regime by enhancing the flexibility of the RMB exchange rate.

Should there be significant changes in the exchange rates of the Hong Kong dollar against the RMB, our ability to make dividend payments in Hong Kong dollars may be adversely affected, and our purchase price from suppliers may also increase. This may in turn adversely affect our financial condition and results of operations. In addition, any significant change in the exchange rates of the RMB against the Hong Kong dollar could adversely affect the value of our dividends, which would be funded by RMB but paid in Hong Kong dollars.

Natural disasters and public health and public security hazards in the PRC may severely disrupt our business and operations and may have a material adverse effect on our business, financial condition and results of operations.

In 2009, there were reports of occurrences of H1N1 flu in certain regions of the world, including the PRC. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may in turn adversely affect our business. Moreover, the PRC has experienced natural disasters like earthquakes, floods, landslides and droughts in the past few years. For example, in May 2008 and April 2010, the PRC experienced earthquakes with reported magnitudes of 8.0 and 7.1 on the Richter scale in Sichuan Province and Qinghai Province, respectively, resulting in the death of tens of thousands of people. In 2010, severe droughts occurred in southwestern parts of the PRC, resulting in significant economic losses in these areas. In early 2008, parts of the PRC, in particular its eastern, southern and central regions, experienced what was reportedly the most severe winter weather in the country in half a century, which resulted in significant and extensive damage to factories, power lines, homes, automobiles, crops, and other properties, as well as blackouts, transportation and communications disruptions and other losses in the affected areas. Any future natural disasters and public health and public security hazards may, among other things, significantly disrupt our ability to adequately staff our business or distribute our products, and may generally disrupt our operations. Furthermore, such natural disasters and public health and public security hazards may severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect our business and prospects.

RISKS RELATED TO THE GLOBAL OFFERING

The interests of the Company's Controlling Shareholders may conflict with the best interests of its other Shareholders.

Upon completion of the Global Offering and the Capitalisation Issue (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised, no Shares are issued upon the exercise of any options which may be granted under the Share Option Scheme and an Offer Price of HK$18.00 per Share, being the mid-point of the indicative Offer Price range of HK$15.00 to HK$21.00 per Share), the Controlling Shareholders will in the aggregate beneficially own approximately 89.5% of our issued Shares. Subject to our Articles of Association and applicable laws and regulations, the Controlling Shareholders will continue to have the ability to exercise a controlling influence on our management, policies and business by controlling the composition of our Board, determining the timing and amount of our dividend payments, approving significant corporate transactions, including mergers and acquisitions, approving our annual budgets and taking other actions that require our Shareholders' approval. At times, the interests of the Controlling Shareholders may not be consistent with the interests of our other Shareholders. There can be no assurance that the Controlling Shareholders will always take actions that will benefit our other Shareholders.

We rely principally on dividends and other distributions paid by our subsidiaries, and limitations on their ability to pay dividends to us could have a material adverse effect on our business, results of operations and financial condition.

We are a holding company incorporated in the Cayman Islands, and our business operations are to a significant extent conducted through our PRC subsidiaries. Dividends and other distributions paid by our PRC subsidiaries fund a large part of our future cash needs, including the funds necessary to pay dividends to our Shareholders, to service any debt we may incur and to pay our operating expenses.

Our PRC subsidiaries are subject to limitations with respect to dividend payments. Regulations in the PRC currently permit payment of dividends by PRC subsidiaries only out of accumulated profits as determined in accordance with the PRC GAAP. According to applicable PRC laws and regulations, each of our PRC subsidiaries is required to maintain a general reserve fund at 10% of its after-tax profit based on PRC GAAP, up to a maximum of 50% of the registered capital of such PRC subsidiary. Our PRC subsidiaries, as foreign invested enterprises, may also be required to set aside individual funds for staff welfare, bonuses and development, at the discretion of such PRC subsidiaries and as stipulated in their articles of association. These reserves or funds are not distributable as dividends. Contributions to such reserves or funds are made from each of our PRC subsidiaries' net profit after taxation.

In addition, if any of our PRC subsidiaries incurs debt in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. As a result, each of our PRC subsidiaries is restricted in its ability to transfer its net profit to us in the form of dividends. If our PRC subsidiaries cannot pay dividends due to government policies or regulations, or because they cannot generate sufficient cash flow, we may not be able to pay dividends, service our debt, or pay our expenses, which may have a material adverse effect on our business, results of operations and financial condition.

Investors will experience dilution in the pro forma adjusted consolidated net tangible asset value per Share because the Offer Price is higher than our net tangible asset value per Share.

As the Offer Price of our Shares is higher than the net tangible asset value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma adjusted consolidated net tangible asset value to HK$2.93 per Share (assuming an Offer Price of HK$18.00, being the mid-point of the indicative Offer Price range of HK$15.00 to HK$21.00 per Share). If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their ownership percentage.

Future sales or perceived sales of substantial amounts of our securities in the public market, including any future sale of our Shares by those Shareholders that are currently subject to contractual and/or legal restrictions on share transfers, could have a material adverse effect on the prevailing market price of our Shares and our ability to raise capital in the future, and may result in dilution of your shareholding in our Company.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market or the issuance of new Shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate. In addition, our Shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings.

Certain amounts of our Shares currently outstanding are and/or will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Global Offering. See the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering" for details of certain restrictions on the sale of our Shares by our Controlling Shareholders. After these restrictions lapse or if they are waived or breached, future sales, or perceived sales, of substantial amounts of our Shares could negatively impact the market price of our Shares and our ability to raise capital in the future.

Due to a gap of up to four business days between pricing and trading of our Shares, and given that our Shares will not commence trading on the Stock Exchange until the Listing Date, the initial trading price of our Shares could be lower than the Offer Price.

The Offer Price will be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until the Listing Date, which is generally expected to be four business days, more or less, after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during such period, and thus are subject to the risk that the market price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments occurring during this period.

An active trading market in our Shares may not develop, which could have a material adverse effect on our Share price and your ability to sell your Shares.

Prior to the Global Offering, no public market existed for our Shares. The initial offering price for our Shares will be determined by us after, and based on, consultation with the Joint Bookrunners (on behalf of the Underwriters) and may differ significantly from the market price for our Shares following the completion of the Global Offering. We have applied to list our Shares on the Stock Exchange. However, a listing on the Stock Exchange does not guarantee that an active trading market for our Shares will develop following the completion of the Global Offering or in the future. If an active public market for our Shares does not develop, the Shares could trade at a price lower than the Offer Price, and you may not be able to resell your Shares for an extended period of time, if at all.

Certain facts and statistics in this prospectus relating to the PRC, Hong Kong and Macau economies and the industry in which we operate are derived from official government publications generally believed to be reliable.

This prospectus contains information relating to the PRC, Hong Kong and Macau economies and the industry in which we operate. The information and statistics contained in this prospectus have been derived partly from publicly available government and official sources. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information or statistics is false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. Such information and statistics have not been independently verified by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to their correctness or accuracy.

While we have taken reasonable care to reproduce such information, we cannot guarantee the accuracy and reliability of the information contained in such sources. Those facts and statistics may not be consistent with other information compiled within or outside the PRC, Hong Kong and Macau and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated with the same degree of accuracy as may be elsewhere. In all cases, investors should give consideration as to how much weight or importance they should place on all such facts and statistics.

You should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in press articles, other media and/or research analyst reports regarding us, our business, our industry and the Global Offering.

There has been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press, media and/or research analyst coverage regarding us, our business, our industry and the Global Offering. You should rely solely upon the information contained in this prospectus in making your investment decisions regarding the Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analysts regarding the Shares, the Global Offering, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.