In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Offer Shares. Any of the following risks, as well as other risks and uncertainties that are not yet identified or that we currently think are immaterial, may materially and adversely affect our business, financial condition or results of operations, or otherwise cause a decrease in the trading price of the Offer Shares and cause you to lose part or all of the value of your investment in the Offer Shares.

RISK FACTORS RELATING TO OUR BUSINESS

Our future growth depends on our ability to expand and profitably manage our retail network.

We plan to open and operate new retail outlets in new regions, where we may have little or no operating experience. We currently plan to increase 157 and 163 retail outlets in 2012 and 2013, respectively. By the end of 2013, we expect our retail network to cover approximately 1,200 retail outlets, without taking into consideration the retail outlets to be closed in respective years, with a focus to further penetrate the Yangtze River Delta market, in particular in second and third tier cities. However, we may experience delays in selecting or obtaining new store sites or delays in the renovations that may be needed to modify new locations to be suitable as a retail outlet. We may not be able to obtain our desired new retail outlet sites on favorable lease terms, if at all. Even if we open additional retail outlets as planned, the new market we enter may have different competitive conditions, consumer tastes and discretionary spending patterns from our existing markets. As a result, any new retail outlets we open may be less successful than stores in our existing markets. Consumers in a new market may not be familiar with our brand and we may need to build brand awareness in that market through greater investments in advertising and promotional activities than we originally planned. We may find it more difficult in new markets to hire, motivate and keep qualified employees who share our business philosophy and culture. Retail outlets opened in new markets may also have lower average sales or higher occupancy or operating costs than retail outlets in existing markets. In addition, we may have difficulty in finding reliable suppliers with adequate supplies of ingredients meeting our quality standards in the new markets. Sales at retail outlets opened in new markets may take longer than expected to ramp up and reach, or may never reach, expected sales and profit levels, thereby affecting our overall profitability.

We may not be able to effectively manage our rapid expansion.

We have expanded our market reach within the PRC in recent years, and we expect to continue our expansion in terms of geography, customers and products on offer. We added 113 and 127 retail outlets in 2008 and 2009, respectively. In 2010, in addition to the 20 retail outlets opened at the 2010 Shanghai Expo site, we added 55 retail outlets in provinces that we had operations. We currently plan to increase 157 and 163 retail outlets, respectively, in 2012 and 2013, respectively. By the end of 2013, we expect our retail network to cover approximately 1,200 retail outlets, without taking into consideration the retail outlets to be closed in respective years, with a focus to further penetrate the Yangtze River Delta market, in particular in second and third tier cities. However, although our revenue continued to grow during the Track Record Period, our profit and total comprehensive income for the year decreased from approximately RMB127.1 million in 2008 to RMB115.7 million in 2009 and to RMB88.3 million in 2010. Our profit and total comprehensive income increased from approximately RMB70.1 million for the nine months ended September 30, 2010 to approximately RMB80.0 million for the nine months ended September 30, 2011. To manage our growth, we must continue to improve our managerial, technical and operational capabilities and implement an effective management information system. Our business growth requires substantial investments and may require additional funding either through internal or external sources which could place a significant strain on our managerial, operational and financial resources. Our future expansion plans may adversely affect our existing operations, since the execution of expansion plans often involves challenges. For example, we may need to deal with issues such as capacity constraints, talent recruitment, upgrading or expanding existing facilities and training an increasing number of personnel to manage and operate those facilities. We may not be able to respond on a timely basis to all of the changing demands that our recent and planned expansion will impose. Such challenges could make it difficult to successfully implement our expansion plans, which could, among other things, adversely affect our ability to manage our operations, satisfy customer demands and maintain product quality, resulting in an adverse impact on our profitability.

If our new sales channels do not generate expected sales volume, our business, financial condition, results of operations and prospects may be harmed.

Currently, the vast majority of our products are sold though our traditional retail outlets. In 2011, we further expanded and diversified our sales channels by opening European style fresh-bake stores and increasingly offering our products online through our e-commence channels. We also plan to offer our products in supermarkets and convenience stores. In addition, we are in the process of developing certain frozen bakery products which are specifically designed for wholesale customers to cover a larger customer base and different market segment. For more details of our sales plan, please see the section headed "Our Business – Our Strategies – Continue to expand our retail network" in this prospectus. The success of our new sales strategies will depend on our ability to properly market these new product channels to consumers and to correctly predict the market demand for our products via these new channels. We may not successfully execute these plans. For instance, we have no previous experience in online sales or in cooperating with supermarkets or convenience stores and any additional sales made through these channels may not offset the costs associated with implementing such an undertaking. The costs associated with these new sales channels may be considerable, including costs for property leases, R&D and marketing. Our failure to gain sufficient revenue through these new channels would adversely impact our business, financial condition, results of operations and prospects.

A substantial portion of our revenue is generated from our coupon sales. If the issuance of coupons is challenged or prohibited, our business, financial condition and results of operations may be adversely affected.

A substantial portion of our revenue is generated from our coupon sales (including paper coupons and pre-paid cards). For the years ended December 31, 2008, 2009 and 2010 and the nine months ended September 30, 2011, our revenue derived from sales through coupons amounted to approximately RMB475.1 million, RMB560.7 million, RMB672.1 million and RMB524.6 million, respectively, representing approximately 47.5%, 53.4%, 52.3% and 53.2% of our total revenue, respectively. The coupons used in our sales promotion may be subject to the Law on the People's Bank of China of the PRC ("中華人民共和國中國人民銀行法") (the "People's Bank Law") and the PRC Regulations of the Administration on RMB ("中華人民共和國人民幣管理條例") which prohibit usage of currency substitutes.

According to the People's Bank Law, PBOC has the authority to shut down any printing or selling of currency substitutes for circulation in the market and may impose a fine of no more than RMB200,000 per entity on any legal entity that prints or sells currency substitutes for circulation in the market. However, on May 23, 2011, the General Office of the State Council promulgated the Notice on Standardizing the Administration for Commercial Pre-paid Cards ("關於規範商業預付卡管理的意見") ("Commercial Pre-paid Cards Notice"), being jointly formulated by PBOC, Ministry of Supervision of the People's Republic of China, Ministry of Finance of the People's Republic of China, MOFCOM, SAT, SAIC, National Bureau of Corruption Prevention of the People's Republic of China, which demonstrates by context that the competent authorities acknowledge the positive effect of pre-paid cards and do not prohibit a commercial enterprise from issuing pre-paid cards itself. For further details about the Commercial Pre-paid Cards Notice, please refer to section headed "Regulation – Laws and Regulations Relating to Coupon Sales, Pre-paid Cards, Cash Consumer Cards, and Online Sales" in this prospectus.

Currently two of our PRC Subsidiaries, Shanghai Christine and Hangzhou Danbi, have issued coupons and adopted coupon sales in their business operations. As of the Latest Practicable Date, the government authorities in Shanghai and Hangzhou have not imposed any rectification measures on the coupons issued by manufacturing enterprises for the purpose of sale of their own products, and we had not been subject to any administrative punishments since our commencement of coupon sales in December 1999. Furthermore, we have indirectly received the opinions of Shanghai Municipal Commission of Commerce on pre-paid cards issued by the food industry enterprises in Shanghai that our pre-paid cards fall into the ambit of specific-purpose pre-paid cards and Shanghai Municipal Commission of Commerce request us to carry out self-examinations on our pre-paid cards pursuant to the MOC notices. For further details about the MOC Notice, please refer to section headed "Regulation – Laws and Regulations Relating to Coupon Sales, Pre-paid Cards, Cash Consumer Cards, and Online Sales" in this prospectus.

Our PRC legal advisor, King & Wood, has advised us that (i) our coupons can only be used to redeem our own products, which does not accord with the feature of currency substitutes of being used to purchase non-specific commodities as defined under the Letter on Affirming the Nature of Shopping Cards (關於對購物卡性質認定的函) issued by the PBOC on July 5, 2000, and, therefore, the issuance of our coupons does not violate the relevant PRC laws and regulations; (ii) it is a common practice for companies in the food industry to adopt the coupon sales in the PRC; (iii) the issuance of specific-purpose pre-paid cards is allowed under the MOC notices subject to certain requirements specified therein; and (iv) the risk that we are penalized for previous issuance of coupons is remote. However, we cannot assure you that the relevant authority will not take a different view in respect of such practice, and if they deemed our previous issuance of coupons violated laws and regulations at the time of issuance, they may still impose certain amount of monetary fines on us. As further advised by our PRC legal advisor, such monetary fines are estimated to be RMB200,000 per issuing entity, amounting to an estimate of an aggregate fine of RMB400,000 for the two subsidiaries of us which have been issuing coupons and adopting coupon sales.

As advised by our PRC legal advisor and based on our knowledge, the issuance and sale of coupons and pre-paid cards are common industry practices and, in particular, such practices are adopted in the food industry and even across industries such as the hypermarket, department store and supermarket industries, as well as by other retailers, including general retail stores, hairdressing stores and electronic products suppliers. Furthermore, based on the records published on the websites of the relevant PRC government authorities, there were no previous regulatory actions taken by the government authorities, prosecuted cases or penalties against us or other companies in our industry for the issuance or sale of coupons and pre-paid cards. Nevertheless, if the PRC government authorities adopt or promulgate new regulations limiting the issuance of pre-paid cards in the future, our business may be materially adversely affected. Our Controlling Shareholders have undertaken to indemnify the Group against any claims and losses that the Group may suffer as a result of the issuance of coupon and prepaid cards. Please see the section headed "Our Business – Customers, Sales Channels and Marketing – Sales Channels – Paper Coupon Sales" in this prospectus.

We maintain a substantial amount of outstanding coupons and if the coupon holders present a large amount of coupons at our retail outlets, we may not have sufficient stock in our retail outlets to fulfill the coupon redemption by our customers, which may lead to an adverse impact on our reputation.

Coupon sales represent an important source of our revenues and we generally maintain a substantial amount of coupons for our customers to redeem for various categories and types of our products. As of September 30, 2011, the total liabilities in respect of our Group's outstanding coupons, being the aggregate value of the coupons issued but not yet redeemed, amounted to approximately RMB861.9 million. Based upon our average daily revenue for the nine months period ended September 30, 2011, being RMB3.6 million per day, it would take approximately 239 days for our Group to fulfill the total liabilities in connection with our outstanding coupons as of September 30, 2011 (assuming that there is no issuance of additional coupons since September 30, 2011 and that the average daily revenue is solely generated from coupon redemptions).

We typically prepare sufficient stock in each of our retail outlets for purchases or coupon redemption by our customers. However, considering the substantial amount of outstanding coupons held by our customers, if a large number of customers show up in any of our retail outlets to redeem our coupons within a short period of time (in particular for redemption of our moon cake products around the Mid-Autumn Festival period), we cannot guarantee you that all our retail outlets would have sufficient stock to fulfill all purchases or coupon redemptions by our customers, which may lead to an adverse impact on our reputation.

Our business and reputation may be affected by product liability claims, litigation, customer complaints, product tampering, quality control concerns or adverse publicity relating to our products.

The actual or perceived quality of our products may be harmed by product contamination or degeneration, unfavorable media reporting, mislabeling, product tampering, failure of our employees to adhere to mandated procedures and requirements, failure to detect defects in supplies, or other problems arising during the various stages of the procurement, production, transportation and storage processes. The occurrence of such problems may result in customer illnesses or complaints, adverse publicity, product recalls, product liability claims, and fines, penalties or business suspension orders from regulatory or governmental bodies. We have, in the past, been the target of negative media reporting concerning our product quality. In particular, an article published in the January 20, 2009 issue of Eastern Daily (東方早報) reported that the Shanghai Consumer Protection Commission ("Shanghai CPC") (上海市消費者權益保護委員會), a non-governmental organization established in accordance with the Consumer Rights Protection Law of the PRC to protect the rights of consumers, issued a food hygiene survey report which determined that the microorganisms contained in one type of our cakes were higher than the applicable national standards. Based on the sample checks conducted by the Group during the Track Record Period, the microorganisms contained in the Group's cake products were lower than the applicable national standard. Although we have not received any notice from, and have not been imposed any fines or penalties by, Shanghai CPC or any other PRC government authority in relation to the type of cake in question as alleged in the food hygiene survey report by Shanghai CPC or as a result of violation any laws and regulations in connection with applicable national standards regarding microorganisms in food products, the negative publicity surrounding any such occurrence could adversely affect our reputation among customers and our corporate and brand image and cause short-term or longer-term declines in our sales. Any such actual or alleged occurrences in the future may harm our business, financial condition, results of operations or prospects.

Our rights to use our leased premises for certain of our retail outlets could be challenged by property owners or other third parties, and some of our leases could be terminated before the lease terms expire, which may result in a disruption of our operations.

Some of our lessors have not provided us their title ownership certificates for the properties we lease or proof of authorizations from the property owners to sublease the properties to us. As of March 31, 2011, 24 retail outlets and one central bakery of the Group were leased from lessors who have not provided us with copies of title ownership certificates for such properties. As of the Latest Practicable Date, 18 retail outlets and one central bakery of the Group were leased from lessors who have not provided us with copies of title ownership certificates for such properties. The 18 leased retail outlets without title ownership certificates constitute approximately 2.2% of total gross floor area of our retail outlets, and contributed approximately 1.3%, 1.4%, 1.4% and 2.4% of our revenue for the years ended December 31, 2008, 2009 and 2010 and the nine months ended September 30, 2011 respectively. If third parties who purport to be property owners challenge our right to lease or use these properties, we could be subject to potential disputes. Titles to these properties could be challenged and, if successful and we are not adequately indemnified by the landlords for our related losses, these challenges could impair the operations of our retail outlets on such properties. In case any government authority or other party disputes the legal title of those properties, we may be required to vacate the premises. Our business operations have not been disrupted due to the lack of title certificates or proof of authorization from the lessors for the properties leased by us. If our rights to use these properties are challenged by third parties, the time required for relocating a retail outlet is estimated to be ten to 15 days.

We may not be able to renew leases for our existing retail outlets and central bakeries on favorable terms or at all and we are subject to unexpected land acquisitions, building closures or demolitions.

As of November 30, 2011, we leased premises for 804 of our retail outlets and three of our five central bakeries. As of November 30, 2011, the average remaining lease term for our retail outlets was approximately 24.7 months, and the average remaining lease term for our central bakeries was approximately 50.0 months. Rental expenses for our retail outlets accounted for approximately 28.7%, 27.8%, 26.7% and 28.3%, respectively, of our total distribution and selling expenses for the years ended December 31, 2008, 2009 and 2010 and the nine months ended September 30, 2011. Any increase in retail outlets' rents may increase total distribution and selling expenses, which may adversely affect our profit margins, business, results of operations, cash flows, financial position and prospects.

We usually enter into a lease agreement with lessor for our retail outlets for a lease term of at least three years. For lease terms for our central bakeries, please see the section headed "Our Business – Our Integrated Infrastructure – Production Facilities" in this prospectus. When a lease agreement expires, our lessor may opt not to renew the leases or may wish to increase the rent or change other terms and conditions and we will have to negotiate the terms of renewal. We may not be able to renew the relevant lease agreement on terms and conditions which are acceptable to us, or if our lease is not renewed, we may not be able to obtain alternative premises on comparable terms on a timely basis, or at all. In the event that we need to close down a retail outlet at the end of a lease, our business may be disrupted and we may incur extra costs to relocate, and our business operations and financial condition may be materially and adversely affected.

In addition, the PRC government has the statutory power to acquire any land in the PRC. In the event of any compulsory acquisition by government of any of the properties in which our retail outlets or central bakeries are situated, the amount of compensation to be awarded to us may not be based on the fair market value of such property but may be assessed on the basis prescribed in the relevant legislation. In such event, we will be forced to relocate to other locations, which could adversely affect our business operations.

We may not be able to increase the profitability of our existing retail outlets.

Sales by our existing retail outlets are a critical factor affecting our revenue and profit and help to fund our expansion into new markets. A general decline in the consumption of bakery products at our existing retail outlets could occur as a result of changes in preferences, dietary habits and the perception of the safety and quality of our bakery products and spending habits of our consumers, which may affect our profitability. For example, we currently produce our products at our central bakeries, unlike most of our competitors who produce their bakery products in their individual retail outlet. Some consumers may prefer bakery products baked at the individual retail outlet because they perceive those products to be fresher. Our plans to develop fresh baking capabilities at our retail outlets may prove unfeasible or expensive. If prevailing health or dietary preferences and perceptions cause consumers to avoid bakery products in favor of alternative foods, our business will suffer.

Our ability to increase existing retail outlet sales also depends on our ability to compete effectively with our rival bakery chains. These competitors often rely on modern, trendy décor and brand image, which appeals to younger, more affluent segments of the market. We are in the process of upgrading our brand image and store décor in order to enhance our competitiveness in this market segment. For more details, please see the section headed "Our Business – Our Strategies – Further enhance our brand recognition" in this prospectus. However, we cannot guarantee that consumers will recognize or respond to our efforts. Additionally, the renovations may be more costly and time-consuming than we anticipate. If our efforts are not effective, we may not achieve our targeted existing retail outlets sales growth or our existing retail outlets sales and therefore profitability could decrease, the value of our brand or image may be diminished and we could experience loss of market share and decreased market position relative to our rivals in this desirable market segment.

If we are unable to gain market acceptance for new products, we will not be able to recover our research, development, production and marketing costs, and our business, financial condition, results of operations and prospects may be harmed.

In 2009, we gradually introduced numerous new products, including GABA milk, frozen dough, sandwich pockets, Swiss rolls and konjac jelly. As part of our long term growth strategy of product diversification, we will continue to introduce new products, such as European style breads introduced in 2011. The success of our new products depends on our ability to anticipate changing tastes, preferences and dietary habits of consumers. We may not be able to gain market acceptance of our new products. For instance, our sales of GABA milk and konjac jelly together only accounted for approximately 2.2% and 2.5% of our total revenue for the years ended December 31, 2009 and 2010, respectively. If we fail to gain market acceptance of our new products, we may not recover the research, development, production and marketing costs for such new products, and our business, financial condition, results of operations and prospects may be adversely affected.

We depend on our major suppliers to timely provide a stable and adequate supply of high quality raw materials.

We are subject to a number of risks associated with our dependence on our major suppliers to provide a stable and sufficient supply of high quality products and raw materials, including our principal raw materials of flour, oil, eggs and sugar ingredients and packaging materials. We purchased approximately 44.6% of our supplies from our five largest suppliers for the year ended December 31, 2008, approximately 46.5% for the year ended December 31, 2009, approximately 42.6% for the year ended December 31, 2010 and approximately 39.0% for the nine months ended September 30, 2011. If we do not accurately forecast our supply needs, some of our major suppliers may not have the quantity of supplies we require to meet our immediate needs or we may be required to pay higher costs to fulfill those needs. The supply of raw materials may also be adversely affected by events such as natural disasters, adverse weather conditions, communicable disease outbreaks, pest infestations, labor strike, disruptions in transportation infrastructure, disputes with suppliers and other factors. Therefore, our major suppliers may not be able to meet our supply quality and quantity expectations on a timely basis or continue to provide competitive pricing.

If any of the circumstances set forth above occurs and interrupts our supply of raw materials, or if any of our major supplier becomes unable to supply products or raw materials to us as a result of any non-compliance by such suppliers, we may not be able to promptly locate alternative sources of raw materials in sufficient quantities, of suitable quality or at commercially reasonable terms or at all prices. Any inability to acquire supplies could reduce our production capacity, harm product quality, damage relations with customers, increase expenses, result in foregone revenues or otherwise harm our business, results of operations, cash flows, financial condition and prospects.

Please see the section headed "Our Business – Ingredients and Suppliers – Suppliers" and "Connected Transactions" in this prospectus for details.

We may undertake acquisitions or investments that may pose risks to our business and dilute the ownership of our existing shareholders, and we may not realize the anticipated benefits of these acquisitions or investments.

If we are presented with appropriate opportunities, we may acquire technologies, businesses or assets that are complementary to our business. Acquisitions or investments that we may potentially make in the future entail a number of risks that could adversely affect our business, results of operations, financial condition and prospects, including:

- problems integrating any acquired operations, technologies, employees or products into our existing business and realizing anticipated synergies;

- adverse effects on employee retention and existing business relationships with our customers and suppliers as well as those of the acquired company;

- a need for financial resources above our planned investment levels;

- risks associated with entering markets in which we lack experience;

- costs associated with acquisitions or mergers;

- acquisition-related disputes, including disputes over earn-outs and escrows; and

- expenses related to the amortization of intangible assets or impairment or related goodwill and intangible assets.

Any such acquisition or investment may require a significant amount of capital investment or assumption of debt which would decrease the amount of cash available for working capital or capital expenditures. Our ability to enter into or complete such acquisitions or investments may be restricted by, or subject to, various approvals under PRC law or may not be otherwise possible. In addition, if we use our equity securities to pay for acquisitions, our existing shareholders may experience dilution. If we borrow funds to finance acquisitions, such debt instruments may contain restrictive covenants that can, among other things, restrict us from distributing dividends. Our management may be required to develop expertise in new areas, manage new business relationships and attract new types of customers. Furthermore, our management may need to divert significant management attention from existing business operations, which may harm our overall business.

We may experience material or prolonged stoppages of our central bakeries due to equipment or machinery failure and our central bakery production model may limit our expansion due to capacity constraints.

We produce our products at our five central bakeries and distribute them for sale through our retail outlets. Any failure or malfunctioning of our production equipment or machinery may cause delivery delays. In addition, each central bakery has limited production capacity, which may constrain our ability to increase the number of our retail outlets without additional investment to build new or expand existing facilities. We have concentrated the production of our new products such as GABA milk, frozen dough, Swiss rolls and konjac jelly in our central bakeries located in Nanjing. Due to this concentration, any natural disaster, labor unrest, or other adverse event at our central bakeries located in Nanjing could potentially impact distribution of our new products to all of our retail outlets. Additionally, any problems with these facilities would disproportionally impact our strategic plans for expansion and product diversification. If we experience prolonged stoppages at any central bakery due to equipment or machinery failure or if our production capacity is not sufficient to meet the demands of our retail outlets, our business operations and financial results will be adversely affected.

Delays in delivery or poor handling by us or third party transport operators may affect our sales and damage our reputation.

In Shanghai, we distribute part of our products from our central bakeries to our retail outlets through our own distribution team. We rely on third-party logistics companies to provide transportation services for the distribution of our products outside Shanghai. Delivery disruptions by us or our logistics company may occur for various reasons beyond our control, including transportation bottlenecks, earthquakes and other natural disasters and labor strikes, and could lead to delayed or lost deliveries. In addition, poor handling by us or the logistics company could also cause damage to our products. If our products are not delivered to the stores or customers on time, or are delivered damaged, we may have to pay compensation and could lose business as well as suffer harm to our reputation. Furthermore, our products have limited shelf life ranging from one day to one year. As a result, delays in getting a product to market for any reason, including transportation disruptions or bad weather, may result in reduced sales and adversely affect our results of operations.

Additionally, transportation in downtown Shanghai during the daytime by truck or long vehicle requires a transportation permit issued by the relevant governmental authority and requiring renewal every six months. The permits we currently use may not be renewed on a timely basis, if at all. If some of our permits are not renewed, distribution to certain stores in downtown Shanghai during the daytime will be delayed. We would also have to adjust our distribution schedule to some of our retail outlets, which may affect the freshness of our bakery products and thus affect our sales at these retail outlets.

Our success and normal operations are largely dependent on certain key personnel and our ability to attract and retain talented personnel.

The continued successful management of our business is, to a considerable extent, dependent on the services of Mr. Tien-An Lo and Ms. Xiuping Zhu. Mr. Lo and Ms. Zhu have been responsible for the development and execution of our business and have been key drivers of our strategy and achievements to date for more than 16 years. We have entered into service agreements with Mr. Lo as our Chairman and Ms. Zhu as our chief executive officer, respectively, pursuant to which they may terminate their respective agreement, by delivering notice to us 30 days prior to their intended resignation. The loss of the services of Mr. Lo or Ms. Zhu, or the failure to recruit a suitable or comparable replacement, could have a significant impact upon our ability to manage our business effectively, and our business and growth prospects may be adversely affected.

Our future success is further dependent upon our ability to attract and retain personnel who have the necessary experience and expertise. Competition for qualified personnel in the PRC is intense. If we cannot recruit and retain the management personnel necessary to maintain our operations, our capabilities may be limited, which could reduce our profitability and limit our ability to grow. In addition, competition for qualified personnel in the PRC may cause labor costs to increase, which could in turn increase our costs of operations and affect our profitability.

We may be subject to fines as a result of unregistered leases.

Under PRC law, all lease agreements are required to be registered with the local housing bureau. However, as of March 31 and November 30, 2011, we leased premises for 756 and 804 retail outlets of our Group, among which the respective lease agreements of 714 and 684 retail outlets have not been registered with the relevant PRC authorities, respectively. Such lease agreements are not registered primarily due to the following reasons: (i) some of the lessors or landlords are unwilling to apply for registration of the leases; and (ii) in the event of subleases, some of the lease agreements between the landlords and the sub-lessors have not been registered, which resulted in the sublease agreements between the sub-lessors and us not being able to be registered. The total floor area covered by such unregistered lease agreements constitutes about 84.5% of the total gross floor area of all of our leased retail outlets as of November 30, 2011. According to our PRC legal advisor, King & Wood, the non-registration of lease agreements has not and will not affect the legality and validity of the lease agreements and that, as between us and the relevant lessors or landlords, we remain legally entitled to occupy and use these properties. Due to the failure to register such leases, we may be required by the relevant PRC authorities to register the lease agreements and we may be subject to fines ranging from RMB1,000 to RMB10,000 for failure of each lease registration within the required registration period. We are further advised by King & Wood that it is unlikely that the Group, as lessee to respective unregistered leases, will be subject to penalty for the lessors' failure to register the lease agreements.

Failure to comply with government regulations relating to business licenses, food safety and fire safety could adversely affect our business and operating results.

Our business is subject to various compliance and operational requirements under PRC laws. The failure of any of our retail outlets to comply with applicable laws and regulations may result in substantial fines and penalties from the relevant PRC government authorities. Each retail outlet we operate must hold a basic business license issued by the local government authorities and must have food retail operations within the business scope of its business license. Under PRC regulations, any business operating without a valid business license may be subject to fines of up to RMB100,000, confiscation of gains from the business and/or closure of the business.

Our retail outlets must also obtain food circulation permits. Under PRC laws and regulations, any business operating without a valid food circulation permit may be subject to fines of up to ten times the total value of goods (unless the total amount of goods is valued below RMB10,000, in which case the fines shall be imposed within a range from RMB2,000 to RMB50,000) and confiscation of gains from the business, food products as well as equipment and raw materials used in the manufacturing and the operating activities.

As of March 31, 2011, a total of 69 of our retail outlets have not obtained the business license and/or food circulation permit. Among these 69 stores, six had not obtained the requisite business licenses, 43 had not obtained food circulation permits, and 20 had not obtained either the requisite business licenses or food circulation permits. We have not been subject to any fines or administrative penalties as a result of the abovementioned non-compliances. As to the non-compliance with government regulations relating to food circulation permits in the past (apart from expiration of permits), the reasons that we failed to apply for food circulation permits include, among other things, the ambiguity or lack of interpretation of the relevant rules and regulations, or the different implementation practices of the relevant rules by the different local authorities regarding food circulation permit applications of our "on-site" retail stores. As of the Latest Practicable Date, all of our retail outlets have obtained the business license and food circulation permit. According to our PRC legal advisor, King & Wood, our past business operation has been ratified by the competent government authorities. Therefore, there is no possibility of fines or penalties for not obtaining the business license and/or food circulation permit in the past.

In terms of fire safety filings and inspections(1), Shanghai, Jiangsu province and Zhejiang province, where our existing retail outlets are located, adopt different standards and implementation rules for the fire safety filing and inspection. According to the letter issued by Fire Department of Zhejiang Public Security Bureau on October 30, 2011 in connection with Shanghai Christine's fire safety filing and inspection matters (the "Zhejiang Reply"), all of our retail outlets located in Zhejiang province are not within the scope of fire safety filings. Retail outlets with a gross floor area below 300 sq.m. are not required to apply for the fire safety filings, and retail outlets with a gross floor area above 200 sq.m. are required to complete fire safety inspection.

According to our PRC legal advisor, King & Wood, the Fire Department of Zhejiang Public Security Bureau is the competent authority and has the legal right to issue the Zhejiang Reply and comment on the fire safety filing and inspection matters regarding Shanghai Christine's retail outlets located in Zhejiang province. Therefore, the Zhejiang Reply is valid. As of March 31, 2011, there was one retail outlet located in Zhejiang province that needs to apply for the fire safety inspection in accordance with the requirements set forth in the Zhejiang Reply. As of the Latest Practicable Date, all the retail outlets located in Zhejiang province have met the requirements of fire safety filings and fire safety inspection.

All of our retail outlets in Shanghai are subject to fire safety filing requirements. In terms of the fire safety inspection for our retail outlets in Shanghai, according to our consultations with the Fire Department of Shanghai Public Security Bureau, other than subway stores, all retail outlets with a gross floor area greater than 300 sq.m. are subject to the fire safety inspection requirement. Our retail outlets in Jiangsu province are subject to fire safety filing and inspection requirements. As of March 31, 2011, 658 of our retail outlets in Jiangsu province and Shanghai province did not complete the fire safety filing or fire safety inspection. We were subject to one-time fines of RMB30,000 in 2008 for failure to comply with fire safety filing requirements by three of our retail outlets located in Jiangsu province, and has not been subject to any other fines or administrative penalties for failure to comply with fire safety filing requirements since 2009.

(1) Fire safety inspection is an one-off inspection to be completed when a retail outlet is first opened.

According to the Jiangsu letter issued by Fire Department of Jiangsu Public Security Bureau on November 23, 2011 in connection with Shanghai Christine's and Yangzhou Christine's fire safety filing matters (the "Jiangsu Letter"), as of the issuing date of the Jiangsu Letter, all retail outlets of the Company located in Jiangsu province have completed fire safety filing and fire safety inspection procedures in accordance with the relevant fire safety laws and regulations. According to our PRC legal advisor, King and Wood, Fire Department of Jiangsu Public Security Bureau is the competent authority and has the legal right to issue the Jiangsu Letter and comment on the fire safety filing and inspection matters regarding the Company's retail outlets located in Jiangsu province. Therefore, the Jiangsu Letter is valid. Given all of our retail outlets in Jiangsu province, including those three retail outlets which have been penalized for failure to comply fire safety filling requirements in the past, have been rectified according to the Jiangsu Letter, there is no possibility of fines or penalties to be imposed on the Company for the failures to make the fire safety filing or fire safety inspection for such retail outlets (including those three outlets that have been penalized) in the past.

In addition, as of the Latest Practicable Date, all the retail outlets located in Shanghai have met the requirements of fire safety filing and fire safety inspection. Non-compliance regarding the issue of fire safety filings or inspections is due to our belief at that time that we did not need to make the fire safety filings. The reason for such belief includes, among other things, the relatively small gross floor area of the retail outlets, the low density of people in the retail outlets, and no fresh bakery facilities used in most of the retail outlets. However, according to our PRC legal advisor, King & Wood, all the non-compliant stores in Shanghai, Jiangsu province and Zhejiang province have been rectified after their completion of fire safety filings and inspection, there is no possibility of fines or penalties to be imposed on us for the failures to conduct the fire safety filing or fire safety inspection in the past. Please see the sections headed "Regulation – Fire Safety Filing" and "Regulation – Fire Safety Inspection" in this prospectus for more details on relevant regulations.

We are making diligent efforts to enhance our corporate governance, and we undertake that all new stores and all stores which are in the process of renewing its licenses or permits will fully comply with the relevant rules and regulations in the future. We have adopted an internal policy requiring all our new stores to obtain relevant licenses and permits and to make all required filings and registrations prior to their opening. Although we have not been subject to any material fines or other penalties in relation to any non-compliance during the Track Record Period, if we fail to resolve our existing non-compliance in a timely manner, we may be subject to fines, confiscation of the gains derived from the related retail outlets or the suspension of operations of the retail outlets that do not have all the requisite licenses, permits and filings, which could adversely affect our business and results of operations.

We may not be able to efficiently integrate newly acquired retail outlets and factories into our existing infrastructure platform, which will negatively impact our operations.

We expect that strategic acquisitions will be an essential part of our future growth in addition to our organic growth. In October 2009, we completed the acquisition of Hangzhou Danbi, which owned one centralized bakery in Hangzhou, 35 retail outlets in Hangzhou and 16 retail outlets in Ningbo. However, we cannot assure you that we are able to efficiently and effectively integrate the newly acquired retail outlets and factories from the acquisition of Hangzhou Danbi or any future acquisition into our existing standardized, scalable and integrated infrastructure platform.

Currently, our central bakery located in Nanjing is operating at a level below its intended capacity. If we are unable to increase sales sufficiently to meet the bakery's full production capacity, we may not be able to recover our substantial investment in the bakery.

As of September 30, 2011, we invested USD54.8 million in our central bakery located in Nanjing. The facility houses 12 imported production lines. The utilization rate of our central bakery located in Nanjing was 42.3% for the nine months ended September 30, 2011. We plan to fully utilize the bakery's capacity by growing our business and adding new sales channels. However, we cannot guarantee that these efforts will be successful. If we fail to grow our business to make advantage of this excess capacity, we may not be able to recover our substantial investment in the central bakery located in Nanjing.

Current retail outlet locations may become unattractive, and we may not be able to identify and obtain attractive new locations at reasonable terms, if at all.

Currently, most of our retail outlets are located in densely populated areas in major cities in the Yangtze River Delta Region. The success of any retail outlet depends in substantial part on its location. There can be no assurance that our current retail outlet locations will continue to be attractive. The economic conditions or demographic patterns of the neighborhoods where retail outlets are located could decline in the future, thus potentially resulting in reduced sales in these locations. Any change in the tenant mix or a change in the anchor tenant of a shopping mall or complex in which our retail outlets are located may result in fewer customers visiting the complex and consequently lower the customer traffic flow to our retail outlets. Additionally, poor maintenance of the complex may also attract less patronage and may adversely affect our business. In addition, the competition to procure locations with large amounts of pedestrian traffic is intense. If our current retail outlet locations become unattractive and we cannot obtain desirable locations at reasonable terms, our ability to implement our growth strategy may be adversely affected.

We may not be able to successfully protect our intellectual property rights, our products and brand names may be subject to counterfeiting or imitation and our competitors may successfully imitate our baking and presentation methods, which could harm our reputation as well as lead to higher administrative costs.

We may not be able to successfully protect our intellectual property rights, which may be challenged, misappropriated or circumvented by third parties. In addition, the legal regime governing intellectual property in the PRC is still evolving and the level of protection of intellectual property rights in the PRC may differ from those in other jurisdictions. In the event that the steps we have taken and the protection provided by law do not adequately safeguard our intellectual property rights, such rights could be exploited and our operating results could be harmed by the sale of competing products.

We have previously experienced counterfeiting and imitation of our products, as well as imitation of our company name and trademarks. In particular, in March 2003, we learned from our customers that Shanghai Xie He Liang Fan Supermarket Co., Ltd. (上海協和量販超市有限公司) or Shanghai Xie He, sold counterfeit "Christine" bakery products in its supermarkets. These products were produced by a Suzhou Christine Foodstuff Co., Ltd. (蘇州市克莉絲汀食品有限公司) or Suzhou Christine, which has no relationship with us. We filed a claim against Shanghai Xie He and Suzhou Christine with Shanghai No. 2. Intermediate People's Court. In August 2003, the court ruled in our favor and, among others, enjoined Suzhou Christine and Shanghai Xie He from selling the counterfeit bakery products. The counterfeiting of our products has not had any material impact on our trading and financial position in the Track Record Period.

Counterfeiting, imitation and unauthorized use of our brand name may occur in the future and, if it does occur, we may not be able to detect it and deal with it effectively. It may be difficult for us to prevent competitors from successfully imitating the design of our retail outlets, methods or recipes. Any unauthorized use of our brand name could harm our reputation, cause us to lose our intellectual property rights and lead to the loss of consumer confidence in our brand. Moreover, counterfeiting and imitation may result in a reduction of our market share, causing a long-term or even permanent decline in our sales and profitability as well as increasing our administrative costs in respect to detection and prosecution.

We had net current liabilities of approximately RMB88.9 million as of December 31, 2010 and may be unable to generate sufficient cash flow from our operations to meet our operational and capital expenditure needs.

As of December 31, 2010, we had net current liabilities of approximately RMB88.9 million. Such current liabilities were due to the fact that we recorded a large number of deposit from customers as a result of our coupon sales for the year ended December 31, 2010, as well as our trade and other payables to our raw material suppliers. As of September 30, 2011, we had net current assets of approximately RMB31.7 million.

The Directors and the management of the Group believe that the Group has sufficient funds to finance its current working capital requirements, taking into account of the cash flow from operations. However, in the event that we are unable to generate sufficient cash flow from our operations to meet our operating and capital expenditures, our operations will have to be funded by other financing activities. As such, in the event that we are unable to obtain adequate financing to fund our operations, our existing operations, performance and prospects may be adversely affected.

Our ability to obtain additional financing may be limited, which could delay or prevent the completion of one or more of our strategies.

We have, to date, financed our working capital and capital expenditure needs primarily through our operations, bank borrowings and equity contribution from shareholders. We expect our working capital needs and our capital expenditure needs to increase in the future as we continue to expand and enhance our production facilities, increase our design, R&D capabilities and implement our other strategies. Our ability to raise additional capital will depend on the financial success of our current business and the successful implementation of our key strategic initiatives, financial, economic and market conditions and other factors, some of which are beyond our control. No assurance can be given that we will be successful in raising the required capital at reasonable cost and at the required times, or at all. In addition, if we require additional debt financing, the lenders may require us to agree on restrictive covenants that could limit our flexibility in conducting future business activities, and the debt service payments may be a significant drain on our free capital allocated for research and other activities. If we are unsuccessful in raising additional capital, we may not be able to continue our business operations and advance our development programs.

Wrongdoing by our employees and/or outsiders may harm our business.

The cash sales in our Christine bakery retail outlets are handled by our staff. We may be susceptible to pilferage, theft, fraud, bribery, corruption or even the deliberate contamination of our food products by our staff, our customers and/or other third parties. Such wrongdoing may harm our reputation, operating results and profits. Please see the section headed "Our

Business – Cash Management System" in this prospectus for further information on our internal monitoring systems. We consider our internal control policies and procedures to be adequate. However, we may be unable to prevent, detect or deter all such instances of pilferage, fraud, theft, bribery, corruption, or even the deliberate contamination of our food products and other misconduct. Such instances committed against our interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our business, results of operation and financial condition.

The costs of any Shares to be transferred or granted pursuant to the Pre-IPO Share Award Scheme and the Pre-IPO Share Option Scheme to be adopted by Christine Princess prior to completion of the Global Offering will adversely affect our results of operations.

Christine Princess, being one of our Shareholders, has adopted the Pre-IPO Share Award Scheme and the Pre-IPO Share Option Scheme prior to completion of the Global Offering in order to provide incentives to key personnel within our Group. Prior to the Global Offering, (i) 6,375,000 Shares held by Christine Princess have been transferred pursuant to the Pre-IPO Share Award Scheme, and (ii) the maximum number of Shares, which may be transferred by Christine Princess pursuant to exercise of all the share options under the Pre-IPO Share Option Scheme will be 17,003,200 Shares. The Pre-IPO Share Award Scheme and the Pre-IPO Share Option Scheme will not involve the grant of options over new securities of our Company, rather it will involve the transfer of Shares belonging to Christine Princess or the granting of options in respect of Shares belonging to Christine Princess to our Directors, officers and employees. Further details of the Pre-IPO Share Award Scheme and the Pre-IPO Share Option Scheme to be adopted by Christine Princess may be found in the sections headed "Our History and Reorganization", "Appendix VI – Statutory and General Information – Pre-IPO Share Award Scheme" and "Appendix VI – Statutory and General Information – Pre-IPO Share Option Scheme" in this prospectus. The fair value of Shares that will be transferred or granted pursuant to the Pre-IPO Share Award Scheme and the Pre-IPO Share Option Scheme as of the date they are transferred or granted will be charged as share-based compensation, which may have a material adverse effect on our results of operations.

Unexpected business interruptions could adversely affect our business.

Our operations are vulnerable to interruption by fire, flood, earthquake, power failure and power shortages, hardware and software failure, computer viruses and other events beyond our control. The occurrence of such events could disrupt our production and other operations. In addition, we do not have product liability, business disruption or other business interruption insurance coverage to compensate us for losses that may occur as a result of these types of events. Any uncovered loss could harm our business, results of operations, cash flows, financial condition and prospects.

Interruption or failure of our information systems could impair our ability to effectively provide our services, which could damage our reputation and adversely affect our financial condition and results of operations.

Our ability to provide consistent and high-quality services and to monitor our operations on a real-time basis throughout our retail outlets depends on the continued operation of our information technology systems, including our ERP systems. Any damage to or failure of our systems could interrupt our production management and revenue recognition, affect the manner of our services in terms of efficiency, consistency and quality, and negatively impact customer satisfaction.

Our technology platform is centralized at the data center in our headquarters and plays a central role in our management of production and revenue. However, our system remains vulnerable to damage or interruption as a result of power loss, telecommunications failures, computer viruses, fires, floods, earthquakes, human errors, hacking or other attempts to harm our systems, and similar events. Some of our systems are not fully redundant, and our disaster recovery planning does not account for all possible scenarios. If we experience frequent or persistent system failures, our operational efficiency, quality of services and customer satisfaction could be severely harmed, which could also adversely affect our reputation. The steps needed to increase the reliability and redundancy of our systems may be costly, which could reduce our operating margin, and may not be successful in reducing the frequency or duration of system failures and service interruptions.

RISK FACTORS RELATING TO THE BAKERY INDUSTRY

Competition from both domestic and foreign companies may adversely affect our market share and profit margins.

The bakery industry in the PRC is highly competitive, and we expect it to become even more competitive. Our competitors include large bakery chain operators, bakery outlets attached to hotels and restaurants, and supermarkets and delicatessens of large department stores. As our competitors expand their operations, through acquisitions or otherwise, we expect competition to intensify. The bakery industry has few non-economic barriers to entry, allowing new small individual bakery shops to emerge at any time and in various locations. We compete on the basis of location, customer service, price, product quality, brand image, ability to appeal to changing consumer tastes and preferences and other factors.

Some of our competitors, particularly foreign companies, may have substantially greater financial, marketing, managerial, operational and other resources than we do, which may allow them to react to changes in pricing, marketing and consumer preferences in general better than we can. In addition, some of our competitors operate their business on a franchise basis, which may enable them to expand their operations and the reach of their brand name more rapidly and with less upfront investment than us. Our current or potential competitors may provide products comparable or superior to those we provide or may adapt more quickly than we do to evolving industry trends or changing market requirements. Increased competition may lead our competitors to substantially increase their advertising expenditures and promotional activities, engage in irrational or predatory pricing behavior, or engage in activities designed to undermine our brand name and product quality or influence consumer confidence in our products.

If our existing or future competitors offer items that are better priced or more appealing to local customer tastes or if a competitor increases the number of retail outlets it operates in one of our key markets, our customers may be diverted. In order to stay competitive, we may be forced to make price reductions or we may suffer a loss of market share, either of which could adversely affect our profit margins, business, results of operations, cash flows, financial condition and prospects.

We may be affected by fluctuations in raw material prices.

Our costs are dependent on our ability to source a stable and sufficient supply of raw materials, including our principal ingredients of flour, oil, eggs and sugar ingredients and packaging materials, at acceptable prices. Any rise in our costs, particularly a rise in the cost of ingredients we use, may lead to declines in our margins and increases in our operating costs. The cost of raw materials accounted for approximately 82.7% of our cost of sales for the year ended December 31, 2008, approximately 79.5% for the year ended December 31, 2009, approximately 76.5% for the year ended December 31, 2010 and approximately 73.9% for the nine months ended September 30, 2011. The raw materials we use are subject to price fluctuations due to various factors beyond our control, including inflation, severe climatic and environmental conditions, commodity price fluctuations, changes in the global demand for and supply of raw materials, currency fluctuations, changes in governmental and agricultural regulations and programs and other factors. If we are not able to obtain requisite quantities of quality ingredients at commercially reasonable prices, our ability to provide our key products would be adversely affected.

During the Track Record Period, we were able to secure our principal ingredients, such as flour, eggs and oil, at relatively stable price ranges. Although we were able to secure raw materials at relatively stable price ranges during the Track Record Period, we cannot assure you that our raw material prices will not fluctuate and be affected by inflation in the future. Changes to our raw material prices may result in increases in production and packaging costs, and we may be unable to raise the prices of our products to offset these increased costs in the short term or at all. As a result, we may suffer a reduction in our profit margins and profitability.

In addition, the PRC government has statutory rights to promulgate price intervention regulations under which temporary measures may be taken to control price increases or decreases of certain material commodities which may include a number of ingredients, such as flour, oil and eggs, that are important to our business. The measures that prevent the prices of ingredients used in our products from falling will keep our cost of relevant ingredients at a higher level than it would be under free market conditions. There can be no assurance that when the PRC government will issue the price control measures that may affect the prices of our raw materials, how long and to what extent such measures may be implemented, whether such measures will result in a decrease in our supply, or whether such measures will effectively control price increases in the long run. For example, there is a possibility that measures controlling price increases may frustrate the relevant suppliers and discourage production, in which case the supply of the affected ingredients may decrease and our business may be materially and adversely affected.

We face risks related to instances of food-borne illnesses, health threats, epidemics and other outbreaks.

Our business is susceptible to food-borne illnesses, health epidemics and other outbreaks. We cannot ensure that our internal controls are able to effectively preventing all food-borne illnesses. Furthermore, our reliance on third-party suppliers means that food-borne illness incidents could be caused by our suppliers outside of our control and may affect multiple locations. New illnesses resistant to any precautions may develop in the future, or diseases with long incubation periods could arise, such as mad-cow disease, that could give rise to claims or allegations on a retroactive basis. Reports in the media of instances of food-borne illnesses or health threats could, if highly publicized, negatively affect our industry overall and us in particular, impacting our sales, forcing the closure of some of our retail outlets and conceivably having significant impact on our results of operations. This risk exists even if it were later determined that the illness or health threat in fact was not spread by our products. For example, DEHP (Di(2-ethylhexyl)phthalate), an industrial plasticizer, has recently been detected in some beverages and foods made in Taiwan. DEHP is used to soften plastics and is unlawful to be used in any food and beverage products. DEHP may cause cancer and poses risks to human health, in particular, to children's reproductive organism. The PRC government has suspended imports from Taiwan of beverages, food products and food additives tainted with DEHP. Such DEHP contamination incident is currently under investigation by the PRC food safety and inspection authorities and has posed an increasing impact on the entire food and beverage industry in the PRC. The health threats posed by DEHP-tainted foods and beverages may degrade consumer trust on affected as well as unaffected food products and could have a negative effect on our products and business operations. Furthermore, other illnesses, such as hand, food and mouth disease or avian influenza, could adversely affect the supply of some of our food products and significantly increase our costs. So far as our Directors are aware, based on their best knowledge, we have not used DEHP or any other prohibited additive in the production of our products, and according to reports issued by various governmental or non-governmental laboratories to date, none of our products contains DEHP or any other prohibited additive.

We also face risks related to health epidemics. Past occurrences of epidemics or pandemics have caused different degrees of damage to the national and local economies in China. In June 2009, the World Health Organization declared the outbreak of H1N1 influenza to be a pandemic. An outbreak of any epidemic or pandemic in China, especially in the areas where we have retail outlets, may result in quarantines, temporary closures of our retail outlets, travel restrictions or the sickness or death of key personnel and customers. Any of the above may cause material disruptions to our operations, which in turn may materially and adversely affect our financial condition and results of operations.

Our operating results may fluctuate due to seasonal and other factors.

Our operating results are subject to seasonality, reflecting increased consumption of bakery products during holiday periods or festive seasons, in particular, Mid-Autumn Festival. For example, we typically experience much higher sales of our moon cakes in the period prior to and during the traditional Chinese Mid-Autumn Festival from August to early October (depending on the lunar calendar) and higher sales of our cakes and gift packs during the Chinese New Year, New Year, Labor Day and National Day Holiday week. Sales may also fluctuate during the course of a financial year for a number of other reasons, including the timing of launching new products and advertising and promotional campaigns. As a result, our operating results may fluctuate significantly from period to period and may record losses in certain period in a financial year. Due to these fluctuations, comparisons of sales and operating results on a period-to-period basis are not necessarily meaningful and our interim results should not be relied on as indicators of our future performance.

Labor shortages or increases in labor costs could slow our growth or harm our business and reduce our profitability.

Labor costs accounted for approximately 5.3% of our cost of sales for the year ended December 31, 2008, approximately 5.1% for the year ended December 31, 2009, approximately 6.2% for the year ended December 31, 2010, and approximately 6.3% for the nine months ended September 30, 2011. Because our operations are labor-intensive, our success and ability to keep pace with our anticipated expansion schedule and meet the needs of our existing stores depends in part upon our ability to attract, motivate and retain a sufficient number of qualified employees, including store managers and skilled workers. 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 stores and could adversely impact our existing retail outlets. Any such delays, any material increases in employee turnover rates in existing stores or any widespread employee dissatisfaction could harm our business and results of operations. In addition, competition for qualified employees could also require us to pay higher wages, which could result in higher labor costs. Moreover, increases in the minimum wage or additional labor regulations in the PRC could increase our labor costs in the future. The salary levels of employees in our industry in the PRC has been increasing in the past few years. We may not be able to pass these increased labor costs on to our customers through price increases, in which case our margins would be negatively affected.

RISKS FACTORS RELATING TO CONDUCTING BUSINESS IN THE PRC

We may be restricted from making future investment in the PRC as a result of certain Taiwanese Shareholders' interests in us.

As advised by the Company's Taiwan legal advisor, according to the Taiwan/Mainland Investment Regulations, direct or indirect investment by any Taiwanese individual or entity in the PRC is subject to the prior approval of the Taiwan Investment Commission. However, if the Taiwanese individuals' and entities' total cumulative investment amount in a PRC enterprise does not exceed USD1.0 million, these Taiwanese persons are permitted to report to the Taiwan Investment Commission within six months after the investment was made in such PRC enterprise. Taiwanese individuals are also restricted by the Taiwan/Mainland Investment Regulations from investing more than USD5.0 million per year, equivalent to approximately HK$38.9 million, in the PRC.

In 2008, the Taiwanese Shareholders (excluding Mr. Chao-Mow Chen, who was not the shareholder of Asia Christine at that time) voluntarily reported to the Taiwan Investment Commission for their failure to obtain prior approval in connection with their indirect equity interests in the relevant PRC entities of our Group through Asia Christine and paid the fine in an amount of NT$50,000 per person imposed by the Taiwan Investment Commission. Thereafter, these shareholders submitted supplemental applications to the Taiwan Investment Commission seeking approvals for ratifying these investments. Upon obtaining such approvals from the Taiwan Investment Commission, the said non-compliance of the Taiwan/Mainland Investment Regulations (including any breach of the investment limit and Mr. Lo's failure to obtain prior approval for additional investments in the relevant PRC entities through the acquisition of additional interest in Asia Christine) in connection with these Taiwanese shareholders' equity interests in the relevant PRC entities of our Group was rectified. Then Mr. Chien-Li Tseng transferred part of his shares in Asia Christine to Mr. Chao-Mow Chen, and the approvals from the Taiwan Investment Commission in this regard were obtained in 2008 and 2009. As of the Latest Practicable Date, as advised by the Company's Taiwan legal advisor, all the 16 Taiwanese Shareholders have obtained the approvals as required under the Taiwan/Mainland Investment Regulations in connection with their indirect investments in the PRC through Asia Christine.

Immediately prior to the Global Offering, the Taiwanese Shareholders held directly/indirectly approximately 66.5% in aggregate of our equity interest. Any additional investment by each of the Taiwanese Shareholders in the PRC will be subject to prior approval by the Taiwan Investment Commission (except that the total cumulative investment amounts made by all Taiwanese Shareholders in one PRC entity do not exceed USD1.0 million) and the annual quota of USD5.0 million. In addition, based on the Company's Taiwan legal advisor's interpretation and its oral consultation with Taiwan Investment Commission, we believe that the Taiwan Investment Commission would likely take the position that any future investment by us in the PRC will be considered as additional investment by the Taiwanese Shareholders in proportion to their respective shareholding in the Company. If the Taiwan Investment Commission takes that position, each of the Taiwanese Shareholders will individually be required to obtain an approval of the Taiwan Investment Commission prior to our investment in the PRC using the proceeds from the Global Offering, which approval may not be available to them for various reasons. For instance, the Taiwan Investment Commission may reject the application on the ground that their respective investment amount would exceed the annual quota of USD5.0 million, and they may be required to reduce their respective shareholdings in our Group to comply with the investment limit.

Given that the USD5.0 million (approximately HK$38.9 million) investment limit is for each of the Taiwanese Shareholders in each calendar year, the Company's current plan in respect of the injection of proceeds from the Global Offering into the Company's PRC subsidiaries would not be more than approximately USD27.8 million (or approximately HK$216.4 million) per year calculated based on the shareholding of the largest Taiwanese Shareholders immediately after the Global Offering and assuming Over-allotment Option is not exercised. On such basis, each of the Taiwanese Shareholders would not exceed the annual investment quota of USD5.0 million.

If the Company changes its plan to inject additional proceeds from the Global Offering into the Company's PRC subsidiaries for more than approximately USD27.8 million (or approximately HK$216.4 million) per year, certain Taiwanese Shareholders may be required to reduce her/his shareholding in our Company under the Taiwan/Mainland Investment Regulations. We cannot assure you that she/he will be able to reduce her/his shareholding in our Company in a timely and orderly manner, or at all. If any of the Taiwanese Shareholders fails to reduce her/his shareholding in our Company in a timely and orderly manner, our future investments into the PRC may be limited, which could in turn materially and adversely affect our future expansion plans and prospects in the PRC. In addition, any reduction of the shareholdings in our Company by them pursuant to the Taiwan/Mainland Investment Regulations may cause volatility in, or otherwise have a material adverse effect on the trading price of our Shares.

As advised by the Company's Taiwan legal advisor, the Company itself and the PRC entities in which the Company invested are not subject to the Taiwan/Mainland Investment Regulations. Any penalties for violation of the investment limit would be directed at the violating Taiwanese Shareholders, not at the Company or the PRC entities in which the Company invests. Although any penalties for violation of investment limit would only be directed at the violating Taiwanese Shareholders, any violation of investment limit on these Taiwanese Shareholders may restrict the expansion plan of the Group in the future.

To provide us with maximum flexibility, on November 10, 2011, the Taiwanese Shareholders applied to the Taiwan Investment Commission for prior approval of an increase in their investment amounts, based on the Company's current plan in respect of the injection of proceeds from the Global Offering into the Company's PRC subsidiaries, which is expected to be no more than approximately USD27.8 million (or approximately HK$216.4 million) per year. However, the Taiwan Investment Commission may not consider the application made by the Taiwanese Shareholders prior to completion of the Global Offering, as such application should include specific information as required by the Taiwan Investment Commission. The specific information should include the detailed information of the PRC investee entity (including name, address, representative and business scope), the investment amount to be injected and the investment amount allocated among the Taiwanese investors in proportion to their respective shareholding in our Group. Such information is dependent on certain variables which will not be available until the completion of Global Offering. Therefore, there is no assurance that such prior approvals can be obtained.

Uncertainties with respect to the PRC legal system could have a material adverse effect on our business.

The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation since then has significantly enhanced the protections afforded to various forms of foreign investments in China. However, the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us. In addition, some regulatory requirements issued by certain PRC government authorities may not be consistently applied. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and our level of legal protection than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into with our business partners, customers and suppliers. In addition, such uncertainties, including the inability to enforce our contracts, together with any development or interpretation of PRC law that is adverse to us, could materially and adversely affect our business and operations. Furthermore, intellectual property rights and confidentiality protections in China may not be as effective as in more developed countries. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including our shareholders. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

Adverse changes in political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our products and materially and adversely affect our business.

Substantially all of our business operations are conducted in China. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China. The PRC economy differs from the economies of most developed countries in many respects, including: the degree of government involvement, the level of development, the growth rate, government control over foreign exchange, access to financing, and allocation of resources. While the PRC economy has grown significantly in the past 30 years, the growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in applicable tax regulations.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. However, the PRC government still exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Furthermore, as the PRC economy has become increasingly linked with the global economy, China is affected in various respects by the downturns and recessions of major economies around the world. Any adverse change in the economic conditions in China, in the policies of the PRC government or in laws and regulations in China, could have a material adverse effect on the overall economic growth of China and market demand for our products and our business.

Fluctuations in the value of the Renminbi may have a material adverse impact on our financial condition and results of operations and the value of your investment.

Substantially all of our profit and expenditures are denominated in Renminbi, while the net proceeds from the Global Offering and any dividends we pay on our Shares will be in Hong Kong Dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong Dollar or US Dollar will affect the relative purchasing power in Renminbi terms of the proceeds from the Global Offering. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC subsidiaries. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong Dollar or US Dollar would affect our financial results in Hong Kong Dollar or US Dollar terms without giving effect to any underlying change in our business or results of operations.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. The People's Bank of China (中國人民銀行) regularly intervenes in the foreign exchange market to limit fluctuations in the Renminbi exchange rate and achieve certain exchange rate targets and policy goals. From mid-2008 to mid-2010 the Renminbi traded within a narrow range against the US Dollar at approximately 6.83 Renminbi per US Dollar. In June 2010, the People's Bank of China announced the removal of the de facto peg. Following this announcement, the Renminbi has appreciated modestly. However, the Renminbi may appreciate or depreciate significantly in value against the Hong Kong Dollar or the US Dollar in the medium to long term if and when the People's Bank of China changes its current intervention policy.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, we have not entered into any hedging transactions.

Governmental control of currency conversion may limit our ability to use our profit effectively and the ability of our PRC subsidiaries to obtain financing.

The PRC government imposes control on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive a majority of our profit in Renminbi, which currently is not a freely convertible currency. Restrictions on currency conversion imposed by the PRC government may limit our ability to use profit generated in Renminbi to fund our expenditures denominated in foreign currencies or our business activities outside China. Under China's existing foreign exchange regulations, Renminbi may be freely converted into foreign currency for payments relating to "current account transactions", which include, among other things, dividend payments and payments for the import of goods and services, by complying with certain procedural requirements. Our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from the SAFE, by complying with certain procedural requirements. Our PRC subsidiaries may also retain foreign currency, which is below an approved ceiling, in their respective current account bank accounts to use to pay international current account transactions. However, we cannot assure you that the PRC government will not take measures in the future to restrict access to foreign currencies for current account transactions.

Conversion of Renminbi into foreign currencies, and of foreign currencies into Renminbi, for payments relating to "capital account transactions", which principally includes investments and loans, generally requires the approval of the SAFE and other relevant PRC government authorities. Restrictions on the convertibility of the Renminbi for capital account transactions could affect the ability of our PRC subsidiaries to make investments overseas or to obtain foreign currency through debt or equity financing, including by means of loans or capital contributions from us. In particular, if our PRC subsidiaries borrow foreign currency from us or other foreign lenders, they must do so within approved limits that satisfy their approval documentation and PRC debt to equity ratio requirements. Further, such loans must be registered with the SAFE or its local counterpart. In practice, it could be time-consuming to complete the SAFE's registration process.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from making loans or additional capital contributions to our PRC operating subsidiaries, and limit the use of such funds, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

As an offshore holding company of our PRC subsidiaries, we may fund our onshore operations through additional investments, in the form of capital contributions, to our PRC subsidiary or through loans to our PRC subsidiary. According to the relevant PRC regulations on foreign-invested enterprises in China, depending on the amount of total investment and the type of business in which a foreign-invested enterprise is engaged, capital contributions to foreign-invested enterprises are subject to approval by the MOFCOM or its local branches. Any loans to our PRC subsidiary requires registration with the SAFE or its local branches. We may be unable to obtain these registrations or government approvals on a timely basis with respect to future loans or capital contributions by us to PRC operating subsidiaries. If we are unable to obtain these government registrations and approvals on a timely basis with respect to the capital contributions or loans by us to PRC operating subsidiaries, our ability to capitalize our PRC operating subsidiary and affiliated entities may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

Furthermore, under the "Circular on the Relevant Operating Issues Concerning Administration Improvement of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises", or Circular No. 142, promulgated by the SAFE on August 29, 2008, Renminbi converted from foreign exchange capital contributions can only be used for activities within the approved business scope of such foreign invested enterprise and cannot be used for domestic equity investment unless otherwise approved by the SAFE or its local counterparts. As a result, our PRC subsidiary that is a foreign-invested enterprise may not be able to use the foreign exchange capital contributed by us for equity investment or acquisitions in China.

Changes in PRC laws, legal protections or government policies on foreign investment in the PRC may harm our business.

Our business is subject to laws and regulations applicable to foreign investment in the PRC as well as laws and regulations applicable to foreign-invested enterprises. These laws and regulations are subject to change, and their interpretation and enforcement involves uncertainties that could limit the legal protections available to us and our investors. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. If any of our past operations are deemed to be non-compliant with PRC law, we may be subject to penalties and our business and operations may be adversely affected. For instance, under the Guidance Catalogue of Foreign Investment Industries ("外商投資產業指導目錄") effective in December 2007, some industries are categorized as encouraged, restricted or prohibited for foreign investment. Unless otherwise stipulated by other laws and regulations, industries that do not fall in any of these three categories are considered permitted for foreign investment. As confirmed by our PRC legal advisor, King & Wood, the industries in which we operate (i.e., producing and selling bakery products) are permitted for foreign investment. As the catalogue for the Guidance of Foreign Investment Industries is updated every few years, there can be no assurance that PRC government will not change its policies in a manner that would render part or all of our business to fall within the restricted or prohibited categories. If we cannot obtain approval from the relevant approval authorities to engage in businesses which become prohibited or restricted for foreign investors, we may be forced to sell or restructure such business. In addition, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. The PRC government has broad discretion in dealing with violations of laws and regulations, including levying fines, revoking business and other licenses and requiring actions necessary for compliance. In particular, licenses and permits issued or granted to us by relevant governmental bodies may be revoked at a later time by higher regulatory bodies. If we are forced to adjust our corporate structure or business line as a result of changes in government policy on foreign investment or changes in the interpretation and application of existing or new laws, our business, financial condition, results of operations and prospects may be harmed.

The discontinuation of tax benefits currently available to any of our PRC subsidiaries may adversely affect our business and results of operations.

Our PRC subsidiaries are incorporated in the PRC and are governed by applicable PRC income tax laws and regulations. Certain of our PRC subsidiaries enjoyed preferential tax treatments prior to January 1, 2008. Specifically, Shanghai Christine enjoyed preferential tax treatment because it is registered in the old urban district of cities where Technological Development Zones are located. Shanghai Ji Yuan De used to enjoy a preferential tax rate of 15.0% because it is located in the Waigaoqiao Free Trade Zone of Shanghai. The statutory enterprise income tax rate was changed to 25.0% according to the Enterprise Income Tax Law of the PRC ("中華人民共和國企業所得稅法") ("PRC EIT Law"), which became effective on January 1, 2008. However, the PRC EIT Law permits enterprises to continue to enjoy their existing tax incentives, adjusted by certain transitional phase-out rules. For example, enterprises which were established before the promulgation of the PRC EIT Law and were previously entitled to a lower income tax rate will be gradually increased to 25% in a five-year transitional period (i.e., 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012 and onwards), and enterprises which were entitled to the fixed-term tax holidays will continue to enjoy such tax holidays until the expiration of the specified terms. As a result, Shanghai Ji Yuan De's income tax rate was 18.0%, 20.0% and 22.0%, for the years ended December 31, 2008, 2009 and 2010, respectively. Nanjing Christine is entitled to an income tax holiday of two years for 2008 and 2009 and a half reduction of income tax of the following three years ending December 31, 2012. After the expiration of these phase-out periods, a unified enterprise income tax rate of 25.0% will be applied equally to both domestic enterprises and foreign invested enterprises. Our profitability and results of operations may be adversely affected to the extent we are no longer eligible for any preferential treatment we enjoyed in the past. Please see the section headed "Financial Information – Principal of Statement of Comprehensive Income Items – Income Tax Expense" in this prospectus for discussions on our current preferential tax treatment.

We may be classified as a "resident enterprise" for PRC enterprise income tax purposes; such classification could result in unfavorable tax consequences to us and our non-PRC Shareholders.

The PRC EIT Law provides that enterprises established outside of China whose "de facto management bodies" are located in China are considered PRC "tax resident enterprises" and will generally be subject to the uniform 25% PRC enterprise income rate on their global income. Although under the implementation rules to the PRC EIT Law, a "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and other assets of an enterprise, the circumstances under which an enterprise's "de facto management body" would be considered to be located in China are currently unclear. A tax circular issued by the SAT on April 22, 2009, or Circular 82, provides that certain foreign enterprises controlled by a PRC company or a PRC company group will be classified as "resident enterprises" if the following are located or resident in China: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, company seal, and minutes of board meetings and shareholders' meetings; and half or more of the senior management or directors having voting rights.

Currently, a substantial majority of the members of our management team as well as the management team of some of our overseas subsidiaries are located in China. Although we and our overseas subsidiaries are not controlled by any PRC company or company group, we may be deemed to be a PRC resident enterprise, if the related criteria under Circular 82 are referred to and applied to us by the PRC tax authorities. We do not currently consider our Company or any of our overseas subsidiaries to be a PRC resident enterprise. However, if our Company or any of our overseas subsidiaries is considered a PRC tax resident enterprise for PRC tax purposes, a number of unfavorable PRC tax consequences could follow. First, our Company or our overseas subsidiary will be subject to the uniform 25% enterprise income tax rate as to our global income as well as tax reporting obligations. Second, although under the PRC EIT Law and its implementing rules dividends paid to us from our PRC subsidiaries would qualify as "tax-exempted income", we cannot assure you that such dividends will not be subject to a withholding tax, as the PRC tax authorities and foreign exchange control authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC tax purposes. Finally, dividends payable by us to our investors and gain on the sale of our Shares may become subject to PRC withholding tax.

The newly enacted PRC EIT Law will affect tax exemptions on the dividends we receive and we may not be able to obtain certain treaty benefits on such dividends.

Under the PRC EIT Law and its implementation rules, a withholding income tax at the rate of 10% is applicable to dividends derived from sources within China paid by foreign-invested enterprises to their non-PRC parent companies. In addition, due to the Arrangement Between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income, signed on August 21, 2006 (the "Hong Kong Tax Treaty"), a company incorporated in Hong Kong, such as Deluxe International, will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it directly holds a 25% or more interest in that particular PRC subsidiary, or at a rate of 10% if it holds less than a 25% interest in that subsidiary. In addition, the SAT promulgated a tax notice on October 27, 2009 ("Circular 601"), which provides that tax treaty benefits will be denied to "conduit" or shell companies without business substance, and a beneficial ownership analysis will be used based on a "substance-over-the-form" principle to determine whether or not to grant tax treaty benefits. It is unclear at this early stage whether Circular 601 applies to dividends from our PRC subsidiaries paid to us through our Hong Kong subsidiary. It is possible however, that under Circular 601 Deluxe International would not be considered as the "beneficial owner" of any such dividends, and that such dividends would as a result be subject to income tax withholding at the rate of 10% rather than the favorable 5% rate applicable under the Hong Kong Tax Treaty.

If tax benefits relating to the withholding income tax on the dividends received from Deluxe International become unavailable as a result of the changes in the tax arrangement between the PRC and Hong Kong or for any other reason as mentioned above, our financial condition and results of operations could be adversely affected. Moreover, our historical results of operations may not be indicative of our results of operations for future periods as a result of the expiration of the tax benefits currently available to us.

We face uncertainty regarding the PRC tax reporting obligations and consequences for certain indirect transfers of the stock of our operating company.

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises issued by the PRC State Administration of Taxation on December 10, 2009, which retroactively applied from January 1, 2008, or Circular 698, where a foreign investor transfers the equity interests of a PRC resident enterprise indirectly by way of the sale of equity interest of an overseas holding company, or an Indirect Transfer, and such oversea 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 foreign investor should report such Indirect Transfer to the competent tax authority of the PRC resident enterprise. The PRC tax authority will examine the true nature of the Indirect Transfer, and if the tax authority considers that the foreign investor has adopted an abusive arrangement in order to avoid PRC tax, they will disregard the existence of the overseas holding company and re-characterize the Indirect Transfer and as a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at the rate of up to 10%. In addition, the PRC resident enterprise is supposed to provide necessary assistance to support the enforcement of Circular 698.

At present, the PRC tax authorities will neither confirm nor deny that they would enforce Circular 698, in conjunction with other tax collection and tax withholding rules, to make claims against our PRC subsidiary as being indirectly liable for unpaid taxes, if any, arising from Indirect Transfers by shareholders who did not obtain their shares in the public offering of our shares.

Payment of dividends by our operating subsidiaries to us is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits with regards to our operating subsidiaries means their after-tax profits as determined under PRC GAAP, less any recovery of accumulated losses and allocations to statutory funds that they are required to make. Any distribution profits that are not distributed in a given year are retained and available for distribution in subsequent years. The calculation of distributable profits under PRC GAAP differs in many respects from the calculation under HKFRS. As a result, our operating subsidiaries may not be able to pay any dividend in a given year to us if they do not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under HKFRS. Accordingly, since we derive substantially all of our profits from these operating subsidiaries, we may not have sufficient distributable profits to pay dividends to our shareholders.

Labor laws in the PRC may adversely affect our results of operations.

As of September 30, 2011, we had 7,698 employees in the PRC. On June 29, 2007, the Standing Committee of the National People's Congress of the PRC promulgated the Labor Contract Law of the PRC (中華人民共和國勞動合同法) (the "Labor Contract Law"), which became effective on January 1, 2008. On September 18, 2008, the PRC State Council issued the implementing rules for the PRC Labor Contract Law. The Labor Contract Law and its Implementing Rules impose greater liabilities on employers and significantly impacts the cost of an employer's decision to reduce its workforce. For instance, an employer is required to pay severance to its employees if it will not renew these employees' labor contracts after the expiration of their employment contracts under the Labor Contract Law. Further, it requires certain terminations to be based on seniority and not merit. In the event we decide to significantly decrease our workforce in the PRC, the Labor Contract Law could adversely affect our ability to enact such changes in a manner that is most advantageous to our circumstances or in a timely and cost effective manner. As a result, our business, financial conditions and results of operations could be adversely affected.

It may be difficult to effect service of process upon us or our Directors or executive officers who reside in China or to enforce against them in China any judgments obtained from non-PRC courts.

We are incorporated in the Cayman Islands. The majority of our Directors and all our executive officers reside within China. Almost all of our assets and some of the assets of those persons are located within China. Therefore, it may not be possible for investors to affect service of process upon us or those persons inside China.

China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 3, 2008, the Supreme People's Court of the PRC promulgated the Arrangement between the Mainland and the Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of the Judgments of Civil and Commercial Matter Pursuant to Choice of Court Agreements between Parties ("最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民事案件判決的安排"), which became effective on August 1, 2008, or the Arrangement, pursuant to which reciprocal recognition and enforcement of the decisions of civil and commercial cases may be realized if, among other things, the final judgment are made pursuant to a proper written agreement on choice of forum for dispute resolution, and requires a provision of payment which is binding and enforceable. A choice of forum agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute do not agree to enter into a choice of forum agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets, directors or executive officers in China in order to seek recognition and enforcement for foreign judgments in China.

Furthermore, China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, or most other western countries or Japan. Hence, the recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions in relation to any matter may be difficult or even impossible.

RISK FACTORS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and their liquidity and market price may be volatile.

Prior to the Global Offering, there has been no public market for our Shares. The initial Offer Price for our Shares to the public will be the result of negotiations between us and the Sole Global Coordinator (on behalf of Underwriters), and the Offer Price may differ significantly from the market price of the Shares following the Global Offering. We have applied to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for the Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the Shares will not decline following the Global Offering. In addition, the trading price and trading volume of the Shares may be subject to significant volatility in responses to various factors, including but not limited to:

- variations in our operating results;
- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- regulatory developments in China affecting us, our customers or our competitors;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and the PRC;
- developments in the bakery products markets;
- changes in pricing made by us or our competitors;
- acquisitions by us or our competitors;
- the depth and liquidity of the market for our Shares;
- addition or departure of our executive officers and key research personnel;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- sales or perceived sales of additional Shares; and
- the general economy and other factors.

Moreover, shares of other companies listed on the Hong Kong Stock Exchange with significant operations and assets in the PRC have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

Control by our Controlling Shareholders of a substantial percentage of our Company's share capital after the completion of this Global Offering may limit your ability to influence the outcome of decisions requiring the approval of Shareholders.

Our Controlling Shareholders will, upon the completion of the Global Offering, continue to beneficially own in aggregate a substantial percentage of our Company's share capital. Please see the section headed "Relationship with Our Controlling Shareholders" in this prospectus for additional information. Therefore, they will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of our Group that would otherwise benefit our Shareholders. The interests of the Controlling Shareholders may not always coincide with our Company or your best interests. If the interests of the Controlling Shareholders conflict with the interests of our Company or our other Shareholders, or if the Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our Company or other Shareholders, our Company or those other Shareholders, including you, may be disadvantaged as a result.

Sale, or perceived sale, of substantial amounts of our Shares in the public market could adversely affect the prevailing market price of our Shares.

The Shares held by our existing Shareholders are subject to certain lock-up periods expiring six months after the date on which trading in our Shares commences on the Hong Kong Stock Exchange, details of which are set out in the section headed "Underwriting" in this prospectus. Our existing Shareholders may dispose of Shares that they may own now or in the future. Sales of substantial amounts of our Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of our Shares.

Shareholders' interest in the Company may be diluted in the future.

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

As the Offer Price is higher than the net tangible asset value per Share, the asset value of any Shares you buy will be diluted immediately.

The Offer Price is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in the net tangible asset value of HK$1.38 per Share (assuming an Offer Price of HK$1.91, which is the mid-point of our indicative offer price range), and our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of our Shares may experience a further dilution of their interest if we obtain additional capital in the future through equity offerings.

Facts and statistics in this prospectus relating to the PRC economy and bakery market may not be fully reliable.

Facts and statistics in this prospectus relating to China and the industry in which we operate, including those relating to the PRC economy and the bakery market in China, are derived from various publications of governmental agencies or independent third parties and obtained in communications with various governmental agencies or independent third parties that we believe are reliable. We cannot guarantee, however, the quality or reliability of these materials. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any material fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, any Underwriter or any other party involved in the Global Offering and no representation is given as to its accuracy and completeness. Investors should give consideration as to how much weight or importance they should attach to or place on such facts or statistics and should not place undue reliance on them.

Prospective investors should read the entire prospectus carefully and are strongly cautioned against placing any reliance on the information in any press articles or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this prospectus.

Prospective investors should read the entire prospectus carefully and are strongly cautioned against placing any reliance on the information in any press articles or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this prospectus. Prior to the completion of this Global Offering, there may be press and media coverage regarding us and this Global Offering. We would like to emphasize to prospective investors that we do not accept any responsibility for the accuracy or completeness of such information and that such information is not sourced from or authorized by our Directors or our management. Our Directors make no representation as to the appropriateness, accuracy, completeness or reliability of any such information included in or referred to by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding us or our Shares. To the extent that any statements are inconsistent with, or conflict with, the information contained in this prospectus, our Directors would not accept any responsibility for such statements. Accordingly, prospective investors are cautioned that, in making their decisions as to whether to purchase our Shares, they should rely only on the financial, operational and other information included in this prospectus and the Application Forms. By applying to purchase our Shares in this Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Application Forms.

Due to a gap of up to five Business Days between pricing and trading of the Offer Shares and that our Offer Shares will not commence trading on the Hong Kong Stock Exchange until the Listing Date, the initial trading price of the Offer Shares could be lower than the Offer Price.

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