Potential investors should carefully consider all of the information set out in this prospectus and in particular, should consider the following risks and special considerations associated with an investment in the Company before making any investment decision in relation to the Company.

RISKS RELATING TO THE GROUP

Reliance on the Epson Group

For each of the three years ended 31st December, 2004, Epson Group, an Independent Third Party, was the Group's largest customer having accounted for approximately 34.0%, 34.0% and 31.6% respectively of the turnover of the Group respectively. The Group produces for Epson on an OEM basis LCD projectors and PCBAs for Epson's printer production in the PRC. In addition, the Group is a major distributor for certain Epson branded SDM printers in the PRC. From time to time during the Track Record Period, it has purchased from Epson Group, through the procurement service of the Connected Logistic Agents and through KY Import/Export, parts for its OEM production of printers and projectors for Epson Group, such as SDM printer heads and projector lenses. As a result, the aggregate purchases from the Epson Group accounted for approximately 33.3%, 47.9% and 56.9% respectively, of the total purchases of the Group for each of the three years ended 31st December, 2004, of which purchases of Epson SDM printers for distribution in the PRC accounted for approximately 21.0%, 26.4% and 29.0% respectively, of such purchases. While Epson Group is a major customer and supplier of the Group, the nature of its business relationship with the Group is in substance no different from that between the Group and its other EMS/OEM customers or suppliers, or indeed any future major customer or supplier of the Group. The Group has not entered into any long term distribution contracts with Epson but has entered into an OEM agreement with Epson in relation to LCD projectors for an initial term of two years renewable of periods of one year and an OEM agreement with Epson for SDM printers and PCBAs with no fixed term. Epson Group is not obliged to source direct materials from the Group nor is the Group obliged generally to source from Epson Group (other than for the OEM production of Epson branded products). Commercial terms on the transactions between the Epson Group and the Group under the OEM agreements are negotiated on a product by product basis (in respect of EMS/OEM and distribution services). The Group expects that Epson Group will continue to account for a relatively large percentage of its sales and purchases in the foreseeable future. In the event that Epson changes its business model so that the Group's services as a distributor or manufacturer of Epson branded products are no longer required by the Epson Group or Epson experiences unfavourable business conditions or terminates its business relationship with the Group, there may be a material and adverse impact on the Group's profitability, operating results and financial conditions.

Reliance on connected persons of the Company for direct materials procurement

During the Track Record Period, the Group procured direct materials from the Connected Suppliers and through the Connected Logistics Agents (and indirectly the Connected Purchase Agent) and KY Import/Export and, a small amount of products for distribution, through certain of the Connected Distributors. Aggregate purchases from the Connected Suppliers accounted for approximately nil, 0.2% and 1.6% respectively, of the Group's total purchases for each of the three years ended 31st December, 2004. The aggregate value of direct materials and goods procured by (including related service charges of) the Connected Logistic Agents and KY Import/Export accounted for approximately 46.7%, 51.9% and 44.5% respectively, of the Group's total purchases for each of the three years ended 31st December, 2004. While the Group has now ceased trading with the Connected Logistic Agents, it continues to procure direct materials from the Connected Suppliers and through the Connected Purchase Agent and KY Import/Export. The Group has also used the services of KY Import/Export for insubstantial amounts of exports. If the Connected Suppliers, the Connected Purchase Agent or KY Import/Export do not supply direct materials or continue to provide their services to the Group or to do so on terms commercially unacceptable to the Group and the Group is unable to find suitable replacements, the operation of the Group may be adversely affected. Further, as the continuation of transactions with these parties are subject to the requirements of Chapter 14A of the Listing Rules, if there is any unanticipated growth in the Group's requirements for services from these connected parties and the Company has not obtained the requisite shareholders approval for such increase, the Company may need to use alternative sources of services, even if the terms for such services are commercially less favourable to the Group. The Group's financial performance could be adversely affected as a result.

Risks relating to the leasing of sole operating premises

The Group does not own its sole operating premises in Jiangmen. Those premises are leased from Industrial Park for fixed terms expiring on 1st May, 2010 (in respect of the property leased by Kongyue Jolimark for industrial, office, dormitory and other uses), 1st November, 2012 (in respect of the property leased by Kongyue Jolimark for storage and office uses) and 1st September, 2009 (in respect of the property leased by Kongyue Information for industrial, office, dormitory and other uses) and are subject to options to renew/purchase and first right of refusal in favour of the Group. Further particulars of such leases are set out in the sub-section headed "Connected Transactions" in the "Business" section of this prospectus. If any of the leases and/or options to renew/purchase and/or first right of refusal is terminated by the landlord (whether or not it is entitled to do so) or terminated as a result of the foreclosure of any mortgage to which these premises are subject and the Group is required to vacate the premises notwithstanding the terms of the leases and/or options to renew/purchase and/or first right of refusal, the financial performance of the Group may be adversely affected as a result of the interruptions to its operations if relocation could not be made in a timely manner and/or if the relocation cost becomes material to the Group.

Reliance on a few suppliers of the Group

During the Track Record Period, the Group has relied on only a few suppliers for each type of direct materials it uses. After taking into account the actual suppliers from whom purchases were made by the Group through the Connected Logistics Agents (including the Connected Purchase Agent) and KY Import/Export, the Group's top five suppliers (all being Independent Third Parties) in aggregate accounted for approximately 72.9%, 84.7% and 79.6% respectively, of the Group's total purchases for each of the three years ended 31st December, 2004. These suppliers include members of the Epson Group, transactions with which are referred to in the sub-section "Reliance on the Epson Group" above. If any of such suppliers ceases to supply direct materials to the Group and the Group is unable to find suitable replacements, there may be a material and adverse impact on the Group's profitability, operating results and financial conditions.

Development of new products

For each of the three years ended 31st December, 2004, 7, 10 and 3 new products respectively, were developed by the Group. For each of the three years ended 31st December, 2004, the research and development costs amounted to RMB1,423,000, RMB4,188,000 and RMB3,615,000 respectively, representing, approximately, less than 0.25%, 0.51% and 0.37% of the total turnover of the Group respectively. There is no assurance that the launch of all new products will be successful. Should the sales of new products be unsatisfactory, the Group may suffer loss in costs of research in, and development of, such products, and its profitability will be adversely affected.

In anticipation of the growth in unit sales of digital display products, the Group plans to enhance its capabilities in research and development of digital display technology in the PRC. There is no assurance that the Group will be able to develop digital display products which are suited for the PRC market (whether in terms of functionality, cost or otherwise) or that the Group will be able to market such products successfully. If the development or sales of digital display products are not successful, the Group may not be able to recover its investment in the development of such products and its financial position may be adversely affected.

Viability of the Group's tax control equipment related business

The Group intends to capitalise on the PRC government's "Golden Tax Project" to develop, manufacture and sell tax control equipment, for which the Directors perceive there to be immense market potential. The Group has started to manufacture and sell anti-fraud invoice printers (VAT invoice) since 2000 and intends to further expand its product mix by developing tax control ECRs. Currently, the manufacture of tax control printers and anti-fraud invoice printers (VAT invoice) do not require special permit. However, the manufacture of tax control ECRs requires specific production permit, there is no assurance that the Group will be able to secure the relevant licence and be in a position to produce the relevant products. Furthermore, tax control ECRs could be distributed in local regions only after that product has been sanctioned by the relevant local government. Models of tax control ECRs not sanctioned by the local government cannot be used by the end-users in that area governed by the local government and hence will not have a market among local users. If the Group is unable, whether directly through its subsidiaries or indirectly through companies in which the Group has invested, to obtain the relevant production licence or if the Group's products are unable to secure relevant local government sanction, the Group's ability to exploit the tax control equipment market may be severely hampered. In such circumstances, not only may the Group not be able to recover all of its investments in its various subsidiaries or investee companies, but the overall profitability and prospects of the Group could be adversely affected.

Intellectual property protection

The Group has registered its trademarks of "Jolimark" and "映美" and patented its own branded printers in the PRC. Further details on the intellectual property rights of the Group are set out in the sub-section headed "Intellectual Property" in the "Business" section of this prospectus. The Group's brand, image and profitability may be adversely affected if there is any infringement of the Group's trademarks or patents. The Group may take legal proceedings to protect infringement of its trademarks or patents. To the extent that such legal proceedings are costly and/or if the Group is unable to succeed in its legal proceedings, the Group's business, results of operations and financial condition may be adversely affected.

Preferential treatment

As foreign investment enterprises with permitted operation period of over ten years, Kongyue Jolimark and Kongyue Information are entitled to preferential tax treatment granted by the PRC tax authorities. The preferential tax treatment includes enterprise income tax exemption for the first two profitable year and a 50% reduction in enterprise income tax for the subsequent three years. The first profitable year of Kongyue Jolimark and Kongyue Information is 2001 and 2000, respectively. The reduced tax rate of 12% which Kongyue Jolimark is now enjoying, will expire on 31st December, 2005 while that enjoyed by Kongyue Information expired on 31st December, 2004. According to the PRC laws, if a foreign investment enterprise is recognised as an "Advanced Technology Enterprise", it will be entitled to a further extension of the 50% tax reduction benefit after the end of the above mentioned tax concession period. Both Kongyue Jolimark and Kongyue Information are entitled to the status of "Advanced Technology Enterprise" which is subject to annual renewal with Guangdong Province Foreign Trade Economic Cooperation Bureau (廣東省對外貿易經濟合作廳). There is no assurance that Kongyue Jolimark and Kongyue Information could renew their status or qualify for preferential tax treatment as an "Advanced Technology Enterprise", and there is no assurance that the existing PRC income tax law, or its implementation, will remain unchanged. If they do not qualify for such preferential tax treatment or if there are any unfavourable changes in the existing laws or their implementation, the Group's profitability could be adversely affected.

As an incentive to attract more tenants, Industrial Park pays subsidies to its tenants for their setting-up and removal costs. According to an agreement dated 29th September, 2001 (amended by supplemental agreements dated 16th October, 2001 and 16th October, 2003) entered into by Industrial Park Xin Hiu City Finance Bureau (新會市財政局) and Jingu Zhou Economic Development Testing Zone Management Committee (今古洲經濟開發試驗區管理委員會), the local government in Xin Hui City would provide incentive subsidies to Industrial Park until 31st December, 2006, the amount of which is to be calculated and determined with reference to the tax payable by all tenants in the Kong Yue Industrial Park. The incentive subsidies would be distributed by Industrial Park from time to time to the tenants in accordance with their respective investment amount and contribution. Accordingly, Kongyue Information and Kongyue Jolimark has enjoyed subsidies for the initial set-up and removal costs associated with their establishment at Kong Yue Industrial Park. For each of the three years ended 31st December, 2004, the aggregate amount of subsidies received by the Group from Industrial Park amounted to approximately RMB3.6 million, RMB4.3 million and RMB3.2 million respectively, which represent approximately 0.64%, 0.53% and 0.33% respectively, of the Group's turnover during the same period. There is no assurance that such subsidies will continue. If the Group ceases to receive such subsidies, the Group's profitability could be adversely affected.

Exposure to exchange rates fluctuation

The Company imports some of the direct materials and all machinery used for production from various offshore suppliers. Payments are predominantly made in US dollars, Japanese Yen and Euro. At present, most of the Company's export sales revenue (which accounted for around 10.0% of its total revenue in the year ended 31st December, 2004) is invoiced in US dollars and all of its domestic sales are invoiced in RMB. Accordingly, the Company may suffer from foreign exchange losses or unsustainable foreign exchange gains as a result of the mismatch in the positions of sales and cost of sales in foreign currencies and the fluctuations in the exchange rates of the currencies involved.

Dividend policy

For each of the three years ended 31st December, 2004, certain companies now comprising the Group declared dividends totalling approximately RMB114.0 million, RMB69.0 million and RMB93.5 million respectively, to their respective shareholders. As at the Latest Practicable Date, all dividends have been settled by the Group by internally generated funds and as to approximately RMB40 million by bank loans.

There is no assurance that dividend distributions will be made by the Company in the future, or with a particular pattern. The amount of dividends to be declared by the Company (if any) will be subject to the recommendation of the Directors after taking into account of the Group's earnings, working capital requirements, financial conditions, cash flow, profits available for distribution by subsidiaries the progress and the funding requirement of the Group's future business plans, and other relevant factors. The past dividend distribution record referred to above should not be used as a reference or basis to determine, or predict, the amount of dividend payable in the future.

Risks relating to the debt position of the Group

The gearing ratio, calculated by dividing total assets by total bank borrowings, of the Group for the three years ended 31st December, 2004 was approximately 2.0%, 12.4% and 21.7% respectively. The increase in gearing ratio was due to a substantial increase of short-term bank loans from 2001 to 2004. As at

31st December, 2004, the outstanding amount of short-term bank loans of the Group amounted to approximately RMB100 million whilst compared that of RMB8 million as at December, 2002. The Group's activities are generally financed by funds generated by operating activities and short term bank loans and as the operations of the Group expands, more funds are expected to be required. The Group may need to raise additional funds through debt or other forms of financing to repay such debts and/or finance its operations and costs of financing may increase significantly and affect its profitability. In addition, if the Group is unable to service or repay its short-term bank loans, the relevant creditor may choose to demand repayment, the result of which could adversely affect the operations and operating results of the Group.

Risks relating to negative cashflow from operating activities

The Group experienced negative cashflow from its operating activities of approximately RMB23.9 million for the year ended 31st December, 2003. The negative cashflow from operating activities for the year ended 31st December, 2003 was mainly attributable to an increase in the inventories, trade receivables and other receivables. There is no guarantee that the Group will generate sufficient cashflow from its operations in the future. If the Group is unable to finance its operations continuously by funds generated by operating activities, the operations and financial position of the Group could be materially and adversely affected. For details of the changes in cashflow from operating activities, please refer to the sub-section headed "Net Cash From Operating Activities" in the "Financial Information" section of this prospectus.

Decrease in profit margins during the Track Record Period

The Group has recorded an overall decrease in gross profit margin and net profit margin during the Track Record Period. There is no assurance that profit margins (whether gross or net) in connection with its business will not continue to decrease or that the Group could improve its profit margins in the future. If profit margins continue to decrease, the Group's future results will adversely be affected.

Reliance on key management

The Group is founded by Mr. Au. He and his sons, Mr. Au Kwok Lun and Mr. Ou Guo Liang, are executive Directors. Their vision and business strategies and their relationship with customers established over time have been crucial to the development of the Group. If they retire or cease to actively participate in the management of the Group, the Group's performance may adversely be affected.

Product liability risks and material accident compensation claim risks

There is no assurance that the Group will not experience major accidents which will cause significant property damage and personal injuries in the future. The occurrence of certain accidents and the losses resulting from them may not be covered adequately, or at all, by such policies. In addition, the Group faces exposure to product liability claims in the event that any of its products is alleged to have resulted in property damage, bodily injury or other adverse effects. Loss or payments incurred may have a material adverse effect on the Group's results of operations if such losses or payments are not fully covered by the Group's product liability insurance.

Price fluctuation of direct materials for Jolimark branded products

The Group manages its supply of direct materials used for the production of the Jolimark branded products. As the purchase of direct materials represents a significant part of the total cost of sales of the Jolimark branded products, any material price fluctuation in respect of the direct materials of the Group (especially in the costs of IC parts which is prone to great price fluctuation) could adversely affect the operations and financial position of the Group should the Group not be able to shift the increased cost to its customers.

Joint venture arrangements

As at the Latest Practicable Date, in addition to its subsidiaries, the Company held interests in 6 joint ventures which were to engage in the manufacturing and distribution of tax control equipment. Cooperation and agreement among the Group's joint venture partners and the existing or any future performance by the Group's joint venture partners of their obligations under the joint venture arrangements are therefore important factors for the smooth operation and financial success of the Group's business and investments. If such joint ventures were to terminate or were to expire without being renewed, the Group's operations and financial results could be materially and adversely affected. Furthermore, there is no assurance that the joint venture partners will not in the future undertake business operations on their own in direct competition with the Group. Any of these development could adversely affect the Group's financial results.

In addition, there is a possibility that the Group's joint venture partners may have economic or business interests inconsistent with the Group's or may take actions contrary to the Group's requests or contrary to the objectives or policies of the Group. In relation to the joint venture agreements, the Group's joint venture partners may be unable or unwilling to fulfil the obligations thereunder or have disputes with the Group relating to the provisions of these joint venture agreements. Furthermore, these joint venture partners may have financial difficulties which may affect their contribution to the joint venture companies.

If the Group encounters difficulties or has any disputes with its joint venture partners, the performance of these joint ventures could be adversely affected, which could result in lower or no contribution from these joint ventures to the Group's operations.

Competition

There are a number of providers of business equipment, tax control equipment and other electronic products in the PRC that are capable of manufacturing the types of products manufactured by the Group. There is no assurance that the Group will be able to compete successfully with its competitors. In the event that the Group fails to retain its customers or remain competitive, the Group's profitability and results of operations will be adversely affected.

Cancellations or delays in purchase orders by customers

Whilst the Group generally maintains long-term relationship with its major customers, the nature of the Group's business is such that it does not generally secure long-term contracts with its customers with respect to the provision of business equipment, tax control equipment and other electronic products. Accordingly, the Group is dependent on its customers' continued patronage for the Group's recurring income, and the demand and pricing of the Group's products are generally dependent on market conditions prevailing at the time the sales contracts or purchase orders are entered into. If the Group fails to secure customers' continued patronage or the purchase orders from customers are cancelled or delayed, the Group's business, financial position and results of operations may be adversely affected.

Leased premises in the PRC

The landlords of the 14 out of the 25 leased properties of the Group in the PRC have failed to provide document of title or information to prove their titles in such properties or to show that they are entitled to lease such properties to the Group. In the absence of such documents, the PRC legal advisers to the

Company cannot confirm whether the relevant lease agreements are valid or enforceable against third parties. In the event that the relevant lease agreement is not valid or unenforceable against third parties, the operations of the Group's business at those relevant locations may be adversely affected. Please see disclosures in relation to properties numbered 9 to 21 and 23 in the property valuation in Appendix III to this prospectus.

RISKS RELATING TO THE INDUSTRY

Licensing regime

As described in greater detail in the section headed "Industry Overview" in this prospectus, the manufacturing and sale of printers, LCD projectors, tax control ECRs and other tax control equipment require certain licenses/certificates. If any of the products of the Group do not meet the applicable requirements and/or licences are not issued in time, the production and distribution of the Group's products could be materially disrupted or delayed, which could, in turn, materially and adversely affect the Group's revenue derived from such products.

Government policy

The market for tax control equipment is PRC policy driven. Any delay in the promulgation or implementation of all relevant legislation, policies and standards and/or change in government policy (which currently encourages the use of such products) could adversely affect the Group's prospects and future profitability.

RISKS RELATING TO THE PRC

Political structure and economic considerations

All of the Group's business, assets and operations are located in the PRC. Most of the Group's sales in the Track Record Period were made to customers in the PRC, and the Group expects that this is likely to continue in the near future. As such, the Group's operations, financial condition and profitability may be materially and adversely affected by economic and political developments in the PRC.

The economy of the PRC differs from the economies of most developed countries in many aspects, including structure, government involvement, level of development, capital reinvestment, controls on currency conversion, rate of inflation and allocation of resources. The economy of the PRC has been in a state of transition from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented economic reforms which have resulted in a more significant role played by market forces in the allocation of resources and greater management autonomy for enterprises. However, many of the reforms implemented by the PRC government are still in their developmental stages and require further refinement and revision. There is no assurance that any changes brought about by these economic reforms or macro-economic control measures adopted by the PRC government will have positive effects on the economic development of China. There is also no assurance that any measures taken or policies implemented by the PRC government in the future will not materially and adversely affect the Group's operation, financial condition, profitability and prospects.

Currency conversion and exchange rate

At present, Renminbi is not freely convertible to other currencies. Pursuant to the Foreign Exchange Control Regulations (《外滙管理條例》) and the Regulations on the Foreign Exchange Settlement, Sale and Payments (《結滙、售滙及付款管理規定》) of the PRC, foreign investment enterprises are permitted to remit their net profit or dividends in foreign currencies out of the PRC or repatriate such profit or dividends after converting the same from Renminbi to foreign currencies through banks which are authorised to engage in foreign exchange business. Foreign investment enterprises are permitted to convert Renminbi to foreign currencies for items in the current account, including trade and service related foreign exchange transactions and payment of dividends to foreign investors.

Additionally, foreign exchange transactions in the capital account, including the foreign currency capital in any foreign investment enterprise in the PRC, the repayment of the principal amount of foreign currency loans and the payment pursuant to foreign currency guarantees, continue to be subject to significant foreign exchange controls and require the prior approval of the SAFE.

Although the PRC government has stated publicly that it intends to make Renminbi freely convertible in the future, the Group cannot predict whether the PRC government will continue its existing foreign exchange policy and when the PRC government will allow free conversion of Renminbi to foreign currencies. There is also no assurance that the Group will obtain sufficient foreign exchange for payment of dividends or other settlements in foreign exchange.

Fluctuations in exchange rates may adversely affect the value, translated or converted into HK dollars or US dollars, of the Group's net assets, earnings and financial position. The Group recorded exchange gain/(loss) of RMB(385,000), RMB(631,000) and RMB234,000 respectively, for each of the three years ended 31st December, 2004. Part of the Group's payments in foreign currencies could be matched by receipts in foreign currencies derived from its export sales. Nevertheless, as the Group does not carry out any hedging activities against changes in Renminbi value, any future movements in Renminbi could have a material and adverse effect on the financial position of the Group.

Legal and other regulatory considerations

Since 1979, the PRC has promulgated various laws and regulations relating to economic issues in general as well as issues involving foreign investment. In 1982, the National People's Congress of the PRC resolved to amend the Constitution of the PRC to allow foreign investment and to protect the "legal interests" of foreign investors in the PRC. Since then, there is a tendency for the PRC government to promulgate legislation which affords more protection to foreign investors and which gives foreign investors greater controlling power over sino-foreign joint ventures. However, despite this and other significant progress in the legal system of the PRC, it is still considered underdeveloped. The enforcement of existing laws and regulations can be very uncertain or inconsistent, and the interpretation of laws and regulations is subject to change. These factors could materially and adversely affect the Group's operations, financial condition, profitability and prospects.

RISKS RELATING TO THE SHARE OFFER

Liquidity and possible price volatility of the Shares

Prior to the Share Offer, there has been no public market for the Shares. The Offer Price may not be indicative of the price at which the Shares will trade following the completion of the Share Offer. In addition, there is no assurance that an active trading market for the Shares, if it does develop, will be sustained following the completion of the Share Offer, or that the market price of the Shares will not fall below the Offer Price. Prices for the Shares may also fluctuate significantly.

The trading price of the Shares subsequent to the Share Offer may also be subject to significant volatility in response to, among other factors, the following:

- investor perceptions of the Group and the Group's future plans and prospects;
- variations in the operating results of the Group;
- technological advance;
- changes in pricing by the Group or its competitors;
- changes in the Group's key and senior management; and
- general economic and other factors.