In evaluating an investment in the Offer Shares, potential investors should consider carefully all of the information contained in this prospectus and, in particular, should consider the following risks and special considerations associated with an investment in the Company.

RISKS RELATING TO THE GROUP

Reliance on key personnel

The success of the Group is, to a certain extent, attributable to the expertise and experience of the management and engineers, in particular, Mr. Chang and Mr. Chow, both are executive Directors. The Company has entered into service contracts with Mr. Chang and Mr. Chow for an initial fixed term of three years and two years respectively effective from the Listing Date. The service contracts shall continue thereafter until they are terminated by either party by giving three months notice in writing to the other at any time after such initial fixed term. Prospective investors are reminded that there is no assurance that the Group's existing management and engineering team will continue to participate in the Group's management and operation. Should they leave the Group, the Group's business and future growth may be adversely affected.

The Group's new plans may result in increased level of responsibilities for its management and employees. There is no assurance that the Group's existing management and engineering team will be able to manage its expansion and the Group will be able to recruit additional employees with the required technical knowledge as substitute. Failure to do so may adversely affect the Group's business growth and expansion.

Long settlement cycle

As at 30th November, 2004, the total balance of the Group's trade receivables amounted to approximately HK$141.0 million, of which approximately HK$54.3 million, representing approximately 38.5% of such balance has been settled by 30th April, 2005 whilst the gross amount of approximately HK$8.6 million remained unsettled and overdue for over 1 year which, however, was fully covered by the allowances made by the Group. The long outstanding trade receivables balances are mainly attributable to the arrangement of accepting post dated cheques and long term letter of credit for progress payments under optical disc manufacturing systems contracts. Moreover, the Group is more willing to offer more flexible credit terms to recurrent customers, such as the balance of the contract sum being paid by way of instalments over a period up to 18 months. Since the Group has accumulated more recurrent customers over the years, there is an overall increase in the settlement period. The Directors consider that it is normal for project base business to have longer outstanding trade receivables balances, and therefore no general provision have been made for such balances.

The management of the Group reviews the trade receivables ageing reports on a monthly basis and makes specific provision for the trade receivables should the management considers that the recoverability of the receivables concerned is in doubt due to, among other things, disputes with customers or defaults of customers in repayments. As at 31st March, 2002, 31st March, 2003, 31st March, 2004 and 30th November, 2004, the specific allowances for doubtful debts made in respect of trade receivables amounted to approximately HK$4.5 million, HK$6.1 million, HK$14.1 million and HK$21.8 million respectively.

Reliance on suppliers and subcontractors

For the three years ended 31st March, 2004 and the eight months ended 30th November, 2004, the Group's five largest suppliers and/or subcontractors accounted for approximately 75.3%, 90.3%, 94.2% and 94.2% respectively of the Group's purchases and outsourced subcontracting works. The largest supplier accounted for approximately 23.6%, 44.8%, 42.7% and 47.3% respectively of the Group's purchases during the same period.

It is the Group's practice to procure a particular type of equipment or consumables from the same supplier. M2, Toyo and Ciba, being three of the five largest suppliers for each year or period during the Track Record Period, belong to this category. Also, the Group to a certain extent relies on its suppliers in gaining product knowledge and technology know-how, which is important for it to satisfy the requirements of customers in the provision of engineering system contracting services.

The Group has not entered into any long term subcontracting arrangements with any subcontractor and the engagement of any subcontractor depends on the requirements of a specific project. In the selection of subcontractors, the Group would consider factors including pricing, quality of work and reputation, but in general would prefer subcontractors who have previous working relationship with the Group.

Should any of the Group's main suppliers or subcontractors cease to supply their products or provide their subcontracting services to the Group or their products or subcontracting services become technically obsolete for which the Group is unable to find substitutes, the Group's business operation and financial position would be adversely affected.

Reliance on major customers

The Group's five largest customers together accounted for approximately 67.2%, 44.3%, 43.1% and 44.3% respectively of the Group's total turnover for each of the three years ended 31st March, 2004 and the eight months ended 30th November, 2004. There is no assurance that these customers will continue their business relationship with the Group. Should any of these major customers cease its business relationship with the Group or substantially reduce the volume of business with the Group, the Group's profitability and prospects may be adversely affected.

Disputes of customers

If there is any dispute of customers on the products or services provided by the Group, the Group would initially attempt to resolve the issue through despatching its engineers to deal with it. Should the problem still cannot be resolved, the Group will negotiate and agree with the customers for a reduction of the contract fee or the provision of additional spare parts or services. If disputes of customers arising from the Group's products or services cannot be resolved in the aforesaid manner, the Group may not be able to retain recurrent customers and the reputation of the Group may be adversely affected.

Exchange rate risks

Currently, the revenues and expenses of the Group are mainly denominated in US$, EURO and JPY. In particular, the Group's purchases in US$ represented approximately 95.2% of the total purchases for the year ended 31st March, 2002, the purchases in US$, EURO and JPY during the year ended 31st March, 2003 represented approximately 76.3%, 12.4% and 3.4% respectively, the purchases in US$, EURO and JPY during the year ended 31st March, 2004 represented approximately 34.9%, 37.1% and 23.2% respectively and the purchases in US$, EURO and JPY during the eight months ended 30th November, 2004 represented approximately 32.2%, 39.4% and 18.2% respectively. In the future, the Group may expand its business into other jurisdictions which may result in revenues and expenses denominated in other currencies. At present, the Group does not make use of any financial instruments for the purpose of hedging exchange rate risks. Accordingly, any exchange rate fluctuations with respect to any of these foreign currencies could adversely affect the business, the results of operation and financial position of the Group.

Potential Hong Kong tax exposure

Linfair (HK) filed profits tax returns with the Inland Revenue Department of Hong Kong (the "IRD") on onshore income basis for the years of assessment prior to 1999/2000. The Group appointed a new tax adviser pursuant to the engagement letter dated 19th July, 2001 and such tax adviser advised that Linfair (HK)'s profits from projects of which both the contracts of purchase and contracts of sale were negotiated, concluded and effected overseas (the "Offshore Income") was offshore sourced under the Hong Kong Inland Revenue Ordinance and the Departmental Interpretation and Practice Notes No. 21 (Revised 1998) issued by the IRD, and therefore was not subject to Hong Kong profits tax. Accordingly, Linfair (HK) lodged on 8th January, 2002 a back year claim in respect of the Offshore Income for the year of assessment 1999/2000 under Section 70A of the Hong Kong Inland Revenue Ordinance. The IRD issued a letter dated 10th November, 2003 requiring Linfair (HK) to provide further information and documents for consideration of the claim and a reply was made to the IRD on 24th February, 2005. The claim is still under the review by the IRD.

The profits tax returns of Linfair (HK) for the subsequent years of assessment 2000/2001 to 2003/2004 were filed with the IRD with the Offshore Income excluded from the calculation of the assessable profits as advised by the tax adviser of the Group. The IRD issued notices of tax assessment to Linfair (HK) and no tax had been charged on the Offshore Income. Linfair (HK) had paid the relevant taxes to the IRD according to the tax assessments issued by the IRD. Nonetheless, the IRD has the right to re-visit the tax position and issue additional assessment within six years after the issue of the relevant tax assessment. In the event the IRD does not accept the abovementioned back year claim filed by Linfair (HK) and decides to issue additional tax assessments in respect of years of assessment 2000/2001 to 2003/2004, Linfair (HK) might be subject to additional tax. The Group estimates that such additional tax might amount to a total of approximately HK$4.4 million.

Deposits payment to suppliers

After the contracts with customers are finalised, the Group would place orders with its suppliers to purchase the required equipment and/or systems. Prior to delivery of the equipment or systems, the Group would, in general, request deposits from the customers which would in turn be paid to the suppliers. After this initial deposit payment, the customers are required to make progress/balance payments to the Group for the engineering projects which would be applied by the Group to satisfy the remaining balance of the costs of the equipment and/or systems. It is the Group's policy to negotiate the payment terms with its suppliers to match those with its customers in order to minimise the amount of working capital of the Group being tied up for the purchases of equipment and/or systems from the suppliers.

The deposits and progress payments received from customers were approximately HK$2.1 million, HK$38.9 million, HK$66.3 million and HK$172.2 million as at 31st March, 2002, 31st March, 2003, 31st March, 2004 and 30th November, 2004 respectively. Deposits and progress/balance payments of approximately HK$1.4 million, HK$34.1 million, HK$78.1 million and HK$174.8 million were paid to suppliers at the respective balance sheet dates. Save for as at 31st March, 2004 and 30th November, 2004, the amount of deposits and progress payments received from customers exceeded those paid to suppliers as at each of the aforesaid balance sheet dates of the Track Record Period.

Potential investors should note that there is no assurance that the matching of the payment terms with suppliers with those of customers can be maintained in the future. In the event that the Group cannot match the payment terms of its customers with those of its suppliers, liquidity of the Group's working capital may be adversely affected.

Defect in legal title and non-registration of tenancy agreements in respect of leased properties in the PRC

The Group's wholly-owned subsidiary, Linfair (Beijing), occupies a leased property (the "Beijing Leased Property") located at Unit 0803, Floor 7, Block B, Jian Wai SOHO Offices, No. 39 Dong San Huan Zhong Lu, Chao Yang District, Beijing City, the PRC for office use. The Beijing Leased Property is leased by Linfair (Beijing) from a landlord who is an independent third party. As the Real Estate Ownership Certificate has not been issued to the landlord, the Group's PRC legal advisers advise that the legal title to the Beijing Leased Property has not been vested with the landlord. In the event that the landlord's title to the Beijing Leased Property and the subject lease is challenged, the Group may need to move out of the property and thereby suffer losses from the write-off of immovable fixed assets, prepayments and deposits paid for the property and the related relocation cost.

Linfair (Shenzhen), another wholly-owned subsidiary of the Company, also occupies a leased property (the "Shenzhen Leased Property") located at Room 19F, Hai Jing Plaza, Tai Zi Road, Nan Shan District, Shenzhen City, Guangdong Province, the PRC.

The tenancy agreements in respect of the Beijing Leased Property and the Shenzhen Leased Property (collectively the "PRC Leased Properties") have not been registered with the relevant authorities in the PRC. The Group's PRC legal advisers are of the view that non-registration of the tenancy agreements would not affect the validity of the tenancy agreements as between the relevant contracting parties. However, such tenancy agreements, if not registered with the relevant authorities, may not be enforceable against third parties.

RISKS RELATING TO THE INDUSTRY

Rapid technology advancement

The industries in which the Group is engaged, namely the optical storage media industry, the audio-visual and broadcasting industry and the entertainment industry, are subject to rapid technology advancement and frequent introduction of new products and/or product enhancement which render existing products obsolete quickly. It is difficult to predict the effect of emerging and future technological changes and invention on the viability or competitiveness of the Group's services. The failure of the Group to respond quickly to changing technologies and new industry standards could have adverse impact on the Group's business operations.

Competition

Competitors that operate in certain specific areas of the Group's business may have better or longer established reputation with their customers and suppliers, greater resources (both human and financial), a wider range of services and products and a longer operating history as compared with the Group. Any increase in the level of competition could dilute the Group's market share which may force the Group to reduce its prices and/or increase its spending on marketing and provision of after-sales services in order to maintain its competitiveness. Should the Group fail to compete with its competitors by maintaining its competitive edge and responding rapidly to a fast changing business environment, the Group's business operation, financial condition and profitability would be adversely affected.

RISKS RELATING TO THE PRC

Political and economic considerations

Since 1978, the PRC government has undertaken substantial economic reforms in order to transform the PRC economy into a more market-oriented economy. These reforms have resulted in rapid economic growth, increased emphasis of market forces, as well as high inflation in the PRC. Many of these reforms are unprecedented or experimental and are anticipated to be refined and improved in the future. As a result, the Group's business may be adversely affected by changes in the PRC's political and social conditions and the policies of the PRC government such as changes in laws and regulations (or their interpretation), taxation policies and foreign exchange controls, and the imposition of taxes, levies and fees.

Legal and regulatory considerations

Since 1979, many laws and regulations governing economic matters have been introduced in the PRC. However, the interpretation of PRC laws are sometimes influenced by policy changes reflecting domestic political and social changes. In addition, the enforcement of PRC laws are sometimes uncertain and sporadic. It is sometimes difficult to enforce a foreign judgement in the PRC.

Many PRC laws and regulations include basic principles and the PRC government has gradually laid down implementation rules and has continued to refine and modify such laws and regulations. As the PRC legal system develops, the introduction of new laws or the refinement and modification of existing laws may affect foreign investors. The effect of legislation since 1982, when the National People's Congress amended the constitution to authorise foreign investment, has been enhanced significantly so as to afford protection to foreign investment enterprises in the PRC. However, there can be no assurance that future changes in legislation or the interpretation of that legislation will not have an adverse effect upon the Group.

Import regulations, import tariffs and trade restrictions

Currently, the Group supplies dyes to its customers and the sales of dyes amounted to approximately HK$38.4 million, HK$49.8 million, and HK$81.8 million for the three years ended 31st March, 2004 and approximately HK$59.9 million for the eight months ended 30th November, 2004. Sales of dyes contributed to approximately 77.7%, 82.2% and 63.4% of the total sales of consumables and spare parts for the three years ended 31st March, 2004 and approximately 76.4% of the total sales of consumables and spare parts for the eight months ended 30th November, 2004.

As a result of the accession of the PRC into the WTO in December 2001, the PRC is required to reduce significantly the trade barriers for imports, such as:

- granting foreign companies the right to distribute chemical products in the PRC;
- significantly reducing tariffs on chemical products; and
- eliminating quotas and other non-tariff barriers for imports and exports of chemical products.

In view of the aforesaid changes, the Company is likely to experience increasing competition from foreign competitors in respect of sale of dyes in the near future and longer term. In addition, the trade agreements under the WTO may be re-negotiated, possibly resulting in continuing reductions in tariffs, elimination of non-tariff barriers (such as import quota) and opening of markets to foreign competition. Any present or future increase in foreign competition may have a material adverse effect on the Company's business operations, performance and prospects.

RISKS RELATING TO THE SHARE OFFER

Liquidity and possible price volatility

Prior to the Share Offer, there has been no public market for any of the Shares. The Offer Price may not be indicative of the price at which the Shares will be traded on the Stock Exchange following completion of the Share Offer. In addition, there can be no guarantee that an active trading market for the Shares will develop or, if it does develop, that it will be sustained following completion of the Share Offer or that the market price of the Shares will not fall below the Offer Price.

The trading price of the Shares can also be subject to significant volatility in response to, among other things, the following factors:

(1) investors' perception of the Group and its future business plan;

(2) variation in the operating results of the Group;

(3) changes to the Group's senior management;

(4) the depth and liquidity of the market for the Shares; and

(5) general economic and other factors in the Group's principal markets.

Dilution effect by the issuance of Shares under the Pre-IPO Share Option Scheme and the Share Option Scheme

The Company granted Pre-IPO Options in respect of 15,000,000 Shares, representing 5.0% of the Company's issued share capital immediately after completion of the Share Offer and the Capitalisation Issue (but before enlargement by the issue of such Shares, or approximately 4.76% after such enlargement), to a Director, 5 senior management staff and 41 employees of the Group. Details of the Pre-IPO Share Option Scheme are set out in Appendix VI to this prospectus.

Assuming that all of the outstanding Pre-IPO Options were exercised in full on the Listing Date, the earnings per Share for the year ended 31st March, 2004 will be diluted from approximately HK$0.152 (calculated based on 225,000,000 Shares comprising 150,000,000 Shares in issue as at the date of this prospectus and 75,000,000 Shares to be issued pursuant to the Capitalisation Issue, being the same basis as described in note 10 to the accountants' report of the Group set out in Appendix I to this prospectus) to approximately HK$0.143 (calculated based on 240,000,000 Shares comprising the aforesaid 225,000,000 Shares and after taking into account the issue of 15,000,000 Shares pursuant to exercise of the Pre-IPO Options in full, but without taking into account any Shares which may be issued upon the exercise of the options granted under the Share Option Scheme).

Mr. Chow has undertaken to the Company and the Stock Exchange that no options granted under the Pre-IPO Share Option Scheme will be exercised to the extent that the percentage of the Shares in the public will be less than the minimum public float requirement under Rule 8.08 of the Listing Rules as a result thereby.

Payment of dividends

The Group declared and distributed dividends of HK$12 million, HK$15 million, HK$20 million and HK$16 million to its then shareholders in cash which accounted for approximately 119.0%, 72.4%, 58.6% and 48.5% of the respective net profit for each of the three years ended 31st March, 2004 and the eight months ended 30th November, 2004. The payments of these dividends were financed by the Group's internal resources.

There is no assurance that the amount or rate of any future dividends will be similar to that of historical dividends or that future dividends will be declared at all. Potential investors should be aware that the historical dividends may not be used as a reference or basis upon which future dividends may be determined. The declaration, payment and amount of any future dividends of the Company will be subject to the recommendation and/or discretion of the Directors, which will depend on, among other things, the Company's earnings, financial condition, cash requirement, the provisions of relevant laws and other relevant factors.

Reliability of statistics

Certain statistics and the industry information contained in this prospectus are compiled from various official government sources. Though reasonable care had been exercised by the Joint Sponsors and the Directors to ensure that the facts and statistics are accurately reproduced from such sources, such information has not been independently verified by the Company and may be inconsistent, inaccurate or incomplete. Accordingly, the Company, the Directors and all other parties involved in the Share Offer make no representation as to the accuracy or completeness of such information and such information should not be unduly relied upon.