You should carefully consider all of the information set out in this prospectus before making an investment in the Offer Shares, including the risks and uncertainties described below in respect of the Group's business and its industry and the Public Offering. You should pay particular attention to the fact that the Group is a company incorporated in the Cayman Islands and that the Group's principal manufacturing operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from what prevails in other countries. The Group's business, financial condition or results of operations could be affected materially and adversely by any of these risks.

RISKS RELATING TO THE GROUP

Material factors, which will affect the Group's margins and performance

The Group's business is historically of a low-margin nature. Competition, unfavourable economic conditions, increase in interest rates, loss of customers, increase in materials costs, inter alia, would erode the low net profit margin of the Group.

Manufacturing of video graphics cards is a low margin business. During the Track Record Period, the net profit margins recorded by the Group were 1.2%, 2.1%, 2.1% and 1.2% for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively. Any increase in the costs of labour, electricity, rent, taxation, raw materials and so forth, which the Group could not pass onto its customers would adversely affect the Group's profitability.

Competition

The Group faces competition from other manufacturers of add-in video graphics cards and EMS providers. According to the Synovate Report, competition among manufacturers of add-in video graphics cards is not only in market share, but is also in the capability to source materials.

The Group operates in a very competitive and low margin business with a high level of borrowings. In times of uncertain economic conditions any increase in interest rates, loss of major customers, increase in bad debts and fluctuation in prices of components and materials, inter alia, would have an adverse impact on the Group's operations and financial performance.

Recent economic conditions

Both the US and the European Union are grouped under NALA and EMEAI regions, respectively, which represented a significant proportion of the business of the Group. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the Group generated approximately 30%, 28%, 27% and 33%, respectively, of its total sales from its customers in the EMEAI markets and approximately 8%, 10%, 9% and 10%, respectively of its total sales to its customers in the NALA market. The recent financial uncertainties in the US and the European Union countries, the fluctuation in exchange rates in the money market, the availability of credits in the global lending markets and a general deterioration in economic confidence may increase costs for the Group, which is operating a low margin business and may have an adverse impact on the Group's operations and financial performance.

Interest rates fluctuations

As the Group maintains a substantial level of indebtedness, an increase in interest expense would adversely affect the net profit of the Group. Interest costs was HK$5.8 million for the six months ended 30 June 2011, which represented 0.2% of the Group's total sales revenue or 16.5% of the Group's profit attributable to owners of the Group for the same period.

Customers

The Group's top five customers have made significant contributions to the Group's sales revenue and in aggregate accounted for approximately 44%, 39%, 40% and 40% of the sales revenue of the Group for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively. The possibility of losing any of such customers and increase in bad debts could adversely affect the Group's business, financial condition and results of operations.

Material costs

A significant proportion of the Group's total costs are costs of components and materials. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the Group's material costs as a percentage of sales revenue was 86%, 85%, 86% and 87%, respectively. Where increase in costs of components and materials cannot be passed on to customers, the Group may have to absorb such costs or decline orders, which could have adverse effect on the Group's business, financial condition and results of operations.

The Group maintains a substantial level of indebtedness, which is sensitive to changes in interest rates and may affect its business, financial condition, results of operations and prospects

The Group maintains a substantial level of indebtedness. The Group's total borrowings were approximately HK$388 million, HK$715 million, HK$935 million and HK$830 million as at 31 December 2008, 2009, 2010 and 30 June 2011, respectively. The Group's cash at banks and in hand as at the same dates were approximately HK$306 million, HK$681 million, HK$685 million and HK$361 million, respectively. In comparison, the Group's total equity as at 31 December 2008, 2009, 2010 and 30 June 2011 was approximately HK$409 million, HK$493 million, HK$570 million and HK$606 million, respectively. As at 30 June 2011, among the Group's bank borrowings, HK$791 million was repayable within twelve months and HK$39 million was repayable in more than one year but not exceeding five years, with repayment on demand clauses. For the six months ended 30 June 2011, the effective interest rate of the Group on its borrowings was approximately 1.5%. If the effective interest rate were to be approximately 11.6%, the entire net profit of the Group for the same period would be eroded.

The Group's financing costs, and hence the results of operation, are affected by changes in the interest rates. As such, the Group expects that the increase in interest rates will increase the Group's borrowing costs in general and the financing costs of its customers, which may or may not deter the Group's customers from placing contract manufacturing orders or purchasing the Group's products. The Group's debt to equity ratio, calculated by dividing the net debt by total assets, was 20%, 7%, 44% and 77% as at 31 December 2008, 2009, 2010 and 30 June 2011, respectively. Please refer to the section headed "Financial Information — Certain financial ratios" in this prospectus for further information.

The Group's ability to repay the principal and pay the interest on borrowings depends substantially on the cash flows and results of operations of the Group, which in turn depend, in part, upon the other risks stated in this section, some of which are beyond the Group's control. The Group cannot give any assurance that it will have sufficient cash flow to service its borrowings. If the Group is not able to refinance its borrowings on commercially acceptable terms or at all, the Group's liquidity will be adversely affected and, as a result, the Group's results of operations, financial condition and business prospects may be adversely affected.

Reliance on key executives and personnel

The Group's performance depends on the continued services and performance of the Directors, the senior management of the Group and sales representatives in the EMEAI region and the sales agent in the NALA region. The loss of service of any of our key management, in particular (i) Mr. Wong Shik Ho Tony, the chief executive and executive Director who is responsible for the overall strategic management and corporate development of the Group, (ii) Mr. Wong Fong Pak executive vice president and executive Director who is responsible for managing the Group's materials management function and sales and business development function of the Group's EMS business, and (iii) Mr. Leung Wah Kan chief operations officer and executive Director who is responsible for the strategic management of the Group's manufacturing operations in China and the product design and development engineering activities of the Group, could impair the Group's ability to operate and make it difficult to execute the Group's business strategies. As at the Latest Practicable Date, the sales and marketing representatives in the EMEAI region not only have between eight and ten years of experience in the relevant fields in the electronics industry, but also have served the Group between one and four years. As at the Latest Practicable Date, the senior management involved in sales and marketing have served the Group between two and fourteen years, the senior management involved in operations have served the Group between three and fourteen years. The expertise of the senior management involved in sales and marketing and operations are set out in the section headed "Directors, senior management and staff" in this prospectus. The Group's performance also depends on its ability to retain and motivate its officers and employees. The loss of the services of key personnel or the inability to identify, hire, train and retain other qualified technical and managerial personnel in future may adversely affect the performance of the Group.

Reliance on the technology of GPU manufacturers EMS customers and suppliers

The Group's success is partly attributable to the established relationship with the world's two dominating discrete GPU manufacturers, which manufacture discrete GPUs for video graphics cards. The Group, through being an MBA video graphics cards manufacturers for AMD, is benefited from being one of the first video graphics cards manufacturers to work on new discrete GPUs introduced to the market by AMD. Video graphics cards carrying the Group's own brands are all based on NVIDIA GPUs. AMD and NVIDIA together supplied all of the discrete GPUs used by the Group. The Group relies on the technology development of the GPU manufacturers for new GPUs for the Group to develop new video graphics cards as well as ongoing technical support. There is no assurance that the relationship with these GPU manufacturers can be maintained in the future. In the event that the relationship with these GPU manufacturers cannot be maintained, the Group's product development prospects and hence competitiveness and results of operations may be adversely affected.

The Company is relying on the technology development of the EMS customers since the change of the life cycle of the EMS products and competition encountered by the EMS customers would have an adverse impact to the Company's financial performance.

For each of the three years ended 31 December 2010 and in the six months ended 30 June 2011, purchases from the five largest suppliers of the Group accounted for approximately 45%, 49%, 49% and 46%, respectively of the Group's total purchases. For the same periods, purchases from the single largest supplier of the Group accounted for approximately 27%, 36%, 33% and 28%, respectively of the Group's total purchases. The Group has not entered into any long-term supply contract with any of its major suppliers. In the event that the major suppliers cease to supply raw materials and/or components to the Group and the Group is not able to source such raw materials and/or components at competitive prices from other suppliers, the Group's operations and profitability may be adversely affected.

Fluctuation in cost of raw materials and components

The principal raw materials and components used in the Group's production of video graphics cards are ASIC (including GPU), RAM, PCBs and heatsink (including fansinks), which collectively accounted for approximately 62%, 68%, 66% and 64% of the Group's total purchases of raw materials and components for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively. While the fluctuation of the costs of raw materials and components may be passed onto the OEM, ODM and EMS customers, the Group will also absorb part of the impact in relation to such fluctuation, and the pricing of the Group's own branded products may be less flexible. Any substantial increase in the costs of these raw materials and components, particularly GPUs and RAM (which accounted for a substantial part of the Group's costs of sales during the Track Record Period) could adversely affect the Group's business, financial condition and results of operations.

As the Group has not entered into any long-term supply contracts in relation to these raw materials and components, the Group may not be able to source such raw materials and components at prices acceptable to the Group, or at all, if the supply from the Group's existing suppliers is substantially reduced or there are significant increases in their prices. The resulting loss of production volume could materially and adversely affect the Group's ability to deliver products to the Group's customers in a timely manner and harm the Group's reputation.

The Group may not manage the supply-demand cycle effectively

The Group typically places orders to its suppliers of certain tailor-made components and GPUs prior to receiving purchase orders from the Group's customers. Therefore, the Group's orders to manufacturers of tailor-made components are, to a certain extent, based on the Group's forecasts or tentative orders from its customers. If the Group incorrectly estimates customers' demand, the Group may misallocate resources, resulting in, among other things, excess inventory, which may become obsolete and liquidity may be adversely affected.

Reliance on Sapphire, one of the major customers

The Group owned 40% interest in one of its customers, Sapphire, when Sapphire was incorporated in 2001. The Group first manufactured video graphics cards for Sapphire in 2001. The Group's interest in Sapphire was diluted to 18.18% in 2008 and further diluted to 4.95% in 2010. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, Sapphire contributed to 13%, 11%, 9% and 8%, respectively, of the Group's total sales revenue.

The Group does not have any long-term purchase commitment from Sapphire, and sales are made on the basis of individual purchase orders. The Group cannot assure that the volume of Sapphire's orders will be consistent in the future. The volume of Sapphire's orders may affect the Group's profitability, results of operations and financial conditions.

Please refer to the sections headed "History and development — The Group's history" and "Business — Products" in this prospectus for further information on Sapphire.

The Group does not have any long term purchase commitments from its customers, which may result in fluctuation in the Group's results of operations and may affect its liquidity

The Group does not have any long-term purchase commitments from its customers, and sales are made on the basis of individual purchase orders. The Group cannot assure that the volume of its customers' orders will be consistent with the Group's expectations when it plans its capital and/or operating expenditures. As a result, the Group's results of operations may vary from period to period and may fluctuate significantly in the future. Such fluctuation may also adversely affect the Group's liquidity and thus its ability to develop new products. As a result, the Group's profitability, results of operations and financial condition may be affected. In addition, it is possible that in some future periods, the Group's operating results may be below the expectation of market analysts and investors.

Certain customers of the Group may provide components and materials to the Group on a consignment basis

AMD and Sapphire are video graphics cards ODM/OEM contract manufacturing customers of the Group, which provide components and materials to the Group on a consignment basis. Such customers retain title over such consigned components and materials. Such customers provide key components and materials such as GPUs, RAM or fansink (as the case may be) on a consignment basis. In the event that such customers decide to engage the Group to procure such key components instead of providing the same on a consignment basis as part and parcel to a purchase order, and the Group could not source such components and materials or on terms commercially acceptable to the Group, the Group would have to decline such purchase order. The Group's operations, revenue and profitability may as a result be adversely affected. When the Group procures and provides components and materials for such customers, the costs would be passed onto the said customers. The sales revenue and the cost of sales of the Group would increase by approximately equal and opposite amounts resulting in a lower gross profit margin after material costs in percentage terms while the gross profit after material costs in monetary terms remaining approximately unchanged. Please refer to the sections headed "Business — ODM/OEM contract manufacturing of video graphics cards" and "Financial Information — Key costs components" in this prospectus for further details.

The Group may be affected by its major customers or suppliers undergoing restructuring

Major customers and suppliers of the Group may restructure their business in face of the changing competitive landscape. Such actions may involve cost reduction and/or change in business strategies taken by customers or suppliers, which as a result may affect the Group's sales or materials sourcing. In the event that such changes (if any) are not favourable to the Group, the Group's operating results could be adversely affected.

According to a recent announcement made by one of the Group's major customers as well as suppliers, it has begun to implement a restructuring plan to streamline its operational efficiency with the objective to strengthen its competitive position. The Group is not in a position to determine whether such restructuring plan will affect the Group's business relationship. If such restructuring plan leads to measures which impacts on the Group negatively, the Group's operations, revenue and profitability will be adversely affected.

The Group outsources part of its SMT capacity

The Group, apart from all of the ASK Group related productions and certain of the Manli Group related productions, outsourced the SMT processes in the production of video graphics cards. For the three years ended 31 December 2010 and in the six months end 30 June 2011, the Group outsourced 28.5%, 31.4%, 28.8% and 9.6%, respectively, of its video graphics cards manufacturing. The Group may not be able to engage sufficient outsourced SMT capacity to capture sudden unplanned influx of customer orders, which have short delivery horizon. The Group is also reliant on the performance of its SMT manufacturing subcontractors on quality, lead time and delivery of the work-in-progress after the SMT processes because the Group has no direct control of the SMT manufacturing processes of these subcontractors. Should such subcontractors fail to perform, or if such performance fails to meet the Group's requirements, the Group's operations, reputation and profitability may be affected.

Please refer to the section headed "Business — Production capacity and utilisation rate" of this prospectus for more information.

Seasonality effect on the business of the Group

The business of the Group is subject to seasonality effect. Such effect had significant impact on the Group's sales revenue and financial performance during the Track Record Period during the peak season of PC Partner (the most important subsidiary of the Group in terms of sales and revenue). The sales of PC Partner tended to increase in the fourth quarter of each year during the Track Record Period, which was due to the typical consumer spending pattern increasing around the Christmas and new year holidays season. The sales revenue in the fourth quarter of 2009 and 2010 represented 31% and 32% of the total sales revenue of the respective years. The Group's own brands of video graphics cards, ODM/OEM video graphics cards destined for the retail market, ODM/OEM video graphics cards for PC manufacturer customers sold by PC Partner were subject to similar seasonality effect driven by the holidays season. The seasonality trend was also applicable to the sales of other PC related products and some of the EMS products such as Internet Media Tablets and the flash memory modules sold by PC Partner, which shared the same seasonality effect driven by the holiday seasons.

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit. Ongoing evaluations are performed on the financial condition of trade customers. In respect of debtors with balances that are more than 3 months overdue, further credit will only be granted with management's approval. Otherwise, debtors are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers. However, the Group has purchased credit insurance for the Group's trade receivables. The general credit period offered to customers are between 30 and 60 days.

Although the Group has adopted a prudent credit policy and has not experienced any significant bad debts in respect of its sales, there are still credit risks associated with the Group's customers. The Group's trade receivables amounted to HK$596 million, HK$690 million, HK$904 million and HK$767 million as at 31 December 2008, 2009, 2010 and 30 June 2011, respectively. Such balances represented approximately 40%, 32%, 35% and 36% of the Group's total current assets as at the respective dates, and approximately 219%, 186%, 203% and 155% of the Group's net current assets as at the respective dates. Should the customers of the Group fail to settle the sales proceeds in accordance with the agreed credit terms, the working capital position of the Group may be adversely affected. Bad debt provisions or write-offs may also be required for receivables, which will have an adverse effect on the Group's profitability. The bad debt provisions of the Group for the three years ended 31 December 2010 and in the six months ended 30 June 2011 were HK$5.7 million, HK$0.5 million, reversal of HK$0.1 million and HK$1.4 million, respectively.

The Group may be affected by labour disputes and rising labour costs

As a result of the rapid economic growth in the PRC and the increase in demand for labour in the Pearl River Delta, factories in the Pearl River Delta have been facing a shortage of labour supply in recent years. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the Group's staff cost amounted to HK$196 million, HK$231 million, HK$276 million and HK$155 million, respectively. During the same periods, the Group's total turnover was HK$4,389 million, HK$4,709 million, HK$5,585 million and HK$2,906 million, respectively. As at 31 October 2011, the Group had 5,339 staff working in Dongguan, the PRC. Labour dispute of any form or scale may have a negative impact on the Group's operations. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the direct labour cost were HK$97 million, HK$105 million, HK$135 million and HK$78 million, respectively, which represented 2.4%, 2.5%, 2.6% and 2.9% of total cost of sales for the periods indicated, respectively. Any material increase in labour costs in the PRC may, if the same cannot be passed onto customers, adversely affect the Group's profits. In addition, for risks relating to changes in labour laws in the PRC, please refer to the section headed "Risk factors — Risks relating to conducting business in the PRC — The PRC Employment Contract Law may adversely affect the Group's business operations or financial position" in this prospectus.

Product liability risk

Under the terms of the Group's certain sales agreements, the Group will rectify any product defects arising within three years from the date of sale. The Group also has a policy allowing the customers to return any defective products within two years after the delivery of products.

Provision is therefore made for the best estimate of the expected settlement of warranty under sales agreements and sales returns policy in respect of sales made during the Track Record Period. The amount of provision for warranty takes into account the Group's recent claim experience and is only made where a warranty claim is probable whilst the amount of provision for sales returns is estimated by management with reference to the past experience and other relevant factors.

For ZOTAC video graphics cards, the standard warranty for the PRC market is three years and the standard warranty for the APAC and EMEAI markets is five years. In NALA, the Group offers a limited lifetime warranty program for certain models of video graphics cards to the customers, subject to certain conditions. For ZOTAC mini-PCs, warranty for the APAC, NALA, Middle East, Africa and India markets is one year, the warranty for the European Union market is two years.

For Inno3D video graphics cards sold by ASK Group, the standard warranty across all markets is two years. For Manli video graphics cards and other computer related products, the standard warranty across all markets is two years.

The Group also maintains product liabilities insurance for certain customers where contractually required. During the warranty period, defective products can be returned to the Group for repair or exchange.

For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the additional provisions made for product warranties and return for the periods concerned were HK$2.5 million, HK$NIL, HK$1.4 million and HK$NIL million, respectively. As a result the net movement of provisions for product warranties and returns for the three years ended 31 December 2010 and in the six months ended 30 June 2011 were HK$2.3 million, HK$(0.9) million, HK$(0.9) million and HK$(1.2) million, respectively. The said net movements took into account additional provisions made, released and utilised. For the same periods, the material cost incurred for repairing of these defective products returned for repair or exchange were HK$1.2 million, HK$4.5 million, HK$5.5 million and HK$3.0 million, respectively. The value of goods returns of the Group were HK$20.6 million, HK$31.6 million, HK$36.1 million, and HK$18.9 million, respectively, for each of the three years ended 31 December 2010 and in the six months ended 30 June 2011. The customers would receive credits for such goods returned. The major goods returned are video graphics cards. The defects were mainly manufacturing defects. The value of goods returns as a percentage of the Group's total sales were 0.47%, 0.67%, 0.65%, and 0.65%, respectively, for each of the three years ended 31 December 2010 and in the six months ended 30 June 2011. The value of goods returns as a percentage of the Group's total sales increased from 0.47% in 2008 to 0.67% in 2009. These returns were mainly related to the Group's own Zotac brand of video graphics cards. The percentage remained stable at 0.65% in 2010 and in the six months ended 30 June 2011.

In the event that any of the Group's products contains defects and adversely affects the product or operation of its customers, the Group may incur additional costs to rectify the defects or devote significant resources to defend any claims, which may be brought against it by its customers. This may also adversely affect the Group's relationship with its customers, and result in negative publicity, which may damage the reputation of the Group.

The Group may not be able to protect its patents and non-patented intellectual property rights, or the Group may be subject to claims for the infringement of intellectual property rights of others

The Group's commercial success depends in part on its ability to obtain and maintain trade secrets, patents and other intellectual property protection for its products, technologies, designs and know-how as well as its ability to successfully protect its intellectual property rights and to defend itself against third-party challenges. As at the Latest Practicable Date, the Group had 10 registered patents, 60 registered trademarks, 5 patent applications and 11 pending trademark applications. Out of the 60 registered trademarks, 12 were registered under an abbreviated name of Zotac Macao and out of the 11 pending trademark applications, 4 applications were filed under an abbreviated name of Zotac Macao. According to the advice of the legal adviser to the Group on the laws of Macau, Zotac Macao, being incorporated in Macau as an offshore commercial company, must sign all documents related to the same with its full name in accordance with the rules enacted by Decree-Law no. 58/99/M of 18 October 1999. The use by Zotac Macao of its abbreviated name, which is different from its registered name, may give rise to confusion as to the true identity of the owner of the trademarks. Therefore, the rights of the Group to the relevant trademarks may be invalid or unenforceable. Please refer to the section headed "4. Intellectual property of the Group" in Appendix V to this prospectus for details. As at the Latest Practicable Date, the Group has filed applications to rectify name of registrant of 5 trademark registrations and the name of applicant of 3 pending trademark applications. As these 8 trademarks involve 6 jurisdictions and the time required for processing the rectification of the names of registrants/applicants of such trademarks differs among the different jurisdictions, the Group is therefore unable to estimate the timeframe within which such rectification process will be completed. As the remaining 7 trademark registrations and 1 pending trademark applications where an abbreviated name has been used were in respect of trademarks either superseded by new trademarks or were only used in relation to discontinued products, the Group did not file applications to rectify these registrations or applications. In the mean time, while the Group awaits the rectification of the name of registrant of the aforesaid 5 trademarks registrations, such trademarks are at risk of being infringed in the jurisdictions concerned. Such jurisdictions include the PRC, Hong Kong, Brazil and Turkey.

Should the Group fail to rectify the incorrect registrations and incorrect pending registrations of any or all of the 8 trademarks concerned, in the event that there is a trademark dispute, the situation may give rise to confusion as to the true identity of the owner of the trademarks. Such trademarks are registered or pending registration and cannot be registered again by other entities in the mean time. The Group will take appropriate legal actions to defend its rights to the trademarks despite any of the aforementioned confusion. Potential infringement of trademarks may happen to both correctly and incorrectly registered trademarks alike. The financial results of the Group may be affected due to related legal expenses.

On the other hand, the existence of any particular intellectual property right may not necessarily protect the Group from competition, as it may be challenged, invalidated or held to be unenforceable. Therefore, the Group may initiate lawsuits in order to defend its ownership or proprietary design of its products and trade secrets, or the Group may encounter future litigation brought by third parties based on claims that the Group has infringed upon the intellectual property rights of others or that the Group has misappropriated the trade secrets of others, either of which scenarios will be time-consuming and costly. The Group cannot assure that it can achieve a favorable outcome in any such litigation. If the Group is unable to protect its intellectual property rights, or successfully defend itself from infringement claims, the Group's reputation, financial condition and results of operations may be materially and adversely affected.

The Group predominantly relies on rented properties for its manufacturing facilities and office accommodation

The Group entered into lease agreements with Dongguan Haifu Shiye Limited (東莞市海富實業有限公司) in relation to the respective factory premises occupied by Dongguan Baineng and Dongguan Tianpei. The lease agreements shall expire on 30 September 2017. For details, please refer to Appendix III to this prospectus. If the Group is unable to operate (due to breach of the relevant leases), or unable to renew the said leases when they fall due, the production capacity of the Group will be adversely affected.

The Group entered into various lease agreements other than the factory leases above. For details, please refer to Appendix III to this prospectus. If the Group is unable to renew the relevant leases when they fall due, the Group may have to look for other premises.

Stock obsolescence

It is the nature of the electronics industry that product life cycles are subject to rapid technological changes. The introduction of new technology may render the Group's finished products as well as raw materials and components obsolete. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, in respect of inventory obsolescence, the Group made provisions of HK$7.7 million, HK$0.5 million, HK$1.7 million and HK$7.7 million, respectively, which equated to 0.18%, 0.01%, 0.03% and 0.26% of turnover, respectively. In accordance with the Group's inventory policy, stock obsolescence provisions are made on a semi-annual basis for stock over one year old. The policy was consistently applied in the Track Record Period.

For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the stock turnover days were 46, 53, 60 and 65 days, respectively. The value of inventories accounted for approximately 34%, 34%, 37% and 45% of the Group's total current assets, as at 31 December 2008, 2009, 2010 and 30 June 2011, respectively.

Revocation of favourable tax treatments

The Group currently benefits from favourable tax treatments in Hong Kong and Macau. The effective tax rates for the three years ended 31 December 2010 and in the six months to 30 June 2011 were 16.8%, 12.9%, 11.8% and 11.1%, respectively.

(a) Hong Kong taxation

Under Section 14 of the Inland Revenue Ordinance ("IRO"), a company carrying on business in Hong Kong is subject to Hong Kong profits tax in respect of its profits arising in or derived from Hong Kong from such business. Pursuant to the Departmental Interpretation and Practice Notes No. 21 ("DIPN 21") in relation to a processing arrangement with a PRC entity where the production processes are carried out at the processing factory situated in the PRC, profits from the sale of goods that were manufactured by such PRC entity can be apportioned on a 50:50 basis and 50% of the chargeable profits so apportioned can be treated as non-taxable in Hong Kong. The Directors consider that the Group's mode of manufacturing operations under the processing agreements as disclosed in the subsections headed "History and development of the Group's operations in the PRC — Baineng Factory" and "History and development of the Group's operations in the PRC — Dongguan Baineng" in the section headed "History and Development" of this prospectus ("Processing Agreements") is within the scope under DIPN 21 described above. Tax effect of this non-taxable net income relating to offshore operation was approximately HK$4.2 million, HK$7.6 million, HK$10.5 million and HK$3.2 million, respectively for the years ended 31 December 2008, 2009 and 2010 and in the six months ended 30 June 2011.

In the event that (i) the Processing Agreements could not be extended upon its expiry date or the processing arrangement under the Processing Agreements will cease to manufacture products and/or act as manufacturing arms of the Group in the PRC, or (ii) there are any changes in the Hong Kong tax law or its interpretation, the Inland Revenue Department might treat the profits of the Group as trading profits derived from Hong Kong and render the Group fully subject to Hong Kong profits tax that may cause significant impact on the Group's profitability.

(b) Macau taxation

The Group's Macau subsidiary is exempted from Macau Complimentary Tax pursuant to Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999. Effect of tax exemption granted to the Macau subsidiary was approximately HK$0.3

million, HK$1.7 million, HK$4.3 million and HK$2.3 million respectively for the three years ended 31 December 2010 and in the six months ended 30 June 2011.

There is no assurance that the jurisdictions discussed above will continue to offer such preferential tax treatments. Potential investors should be aware that, in the event that the governments of these jurisdictions abolish or change their tax incentive policies, the effective tax rates applicable to the Group may change and may affect the Group's financial position.

Foreign currency forward contracts

The Group's operating activities are carried out in the PRC and its expenses are principally denominated in RMB, whereas the Group's turnover is derived from sales denominated in currencies other than RMB. Thus, the Group has significant exposures to foreign currency fluctuations. Since 1998, the Group entered into certain foreign currency forward contracts to hedge against part of its exposure to potential variability of foreign currency risk arising from changes in foreign currency exposure. The recognised gain on foreign currency forward contracts for the three years ended 31 December 2010 and in the six months ended 30 June 2011 was approximately HK$0.5 million, HK$0.7 million, HK$1.3 million and HK$0.6 million, respectively. The management regularly monitors the Group's foreign currency exposure and will consider entering into hedging arrangements should the need arise. Please see "Financial information — Financial risks — Currency risk" in this prospectus for further details.

Exchange rate risk

During the Track Record Period, the Group's purchases of raw materials and components for its manufacturing business were mainly made in US dollars and Hong Kong dollars. The Group's sales were mainly denominated in US dollars and Hong Kong dollars. Although Hong Kong dollar is currently pegged against US dollar, there is no assurance that the peg between Hong Kong dollar and US dollar will not be altered or abolished in future. Besides, the daily operating expenses of the Group in the PRC are paid in RMB and Hong Kong dollars. The Group is therefore exposed to risks associated with conversion of these currencies in the foreign exchange market.

RISKS RELATING TO THE GROUP'S INDUSTRY

Recent economic conditions

The Group's sales in the European markets have shown a declining trend from 1 July 2011 to 31 October 2011 based on the Group's unaudited management accounts. This may be due to the recent uncertain economic conditions in the European Union countries. On the other hand, the US market continued to show growth in the period from 1 July 2011 to 31 October 2011 based on the Group's unaudited management accounts.

The recent financial uncertainties in the US and the European Union countries, the fluctuation in exchange rates in the money market, the availability of credits in the global lending markets and a general deterioration in economic confidence may increase costs for the Group, which is operating a low margin business and have an adverse impact on the Company's operations and financial performance.

Based on the Group's unaudited management accounts, the Group's monthly average sales revenue derived from the European Union countries from 1 July 2011 to 31 October 2011 experienced a decrease compared to that in the first six months of 2011.

Based on the Group's unaudited management accounts, the Group's monthly average sales revenue for the four months ended 31 October 2011 is slightly lower than that in the first six months of 2011. Accordingly, the increase in sales revenue from other geographic areas over the same period has to a large extent offset the said decrease in the sales revenue from the European Union countries. Based on the Group's unaudited management accounts, the monthly average sales revenue and monthly average sales volume of video graphics cards from 1 July 2011 to 31 October 2011 declined as compared with those in six months ended 30 June 2011.

Continuous appreciation of the RMB would have adverse impact on the costs of production in the PRC. The increased costs may not be fully passed onto customers through price increases.

The tightening of credit in the PRC, the US and the European Union countries would have an indirect impact to the Group since both its customers and suppliers may rely on borrowings from these countries and regions. Corporate failures of suppliers would adversely affect the Group's operations. Corporate failures of customers would adversely affect the Group's financial performance.

A general deterioration in economic confidence may also have an adverse impact on the Group's operation and financial performance especially during the peak season of PC Partner (the most important subsidiary of the Group in terms of sales and revenue) in the fourth quarter of 2011. For the years ended 31 December 2009 and 2010, sales in the fourth quarter represented 31% and 32% of total annual sales revenue for the respective years. The general deterioration in economic confidence may have an adverse impact on the traditional peak season of PC Partner in the fourth quarter of 2011, which may in turn have an adverse impact on the operations and financial performance of the Group.

According to a recent announcement made by AMD (who is one of the Group's major customers as well as suppliers) on 3 November 2011, AMD has begun to implement a restructuring plan to streamline its operational efficiency with the objective to strengthen its competitive position. The Group is not in a position to determine whether AMD's restructuring plan will affect the Group's business relationship with AMD. Absence of new GPU launches by AMD would adversely affect the Group's operation and financial performance. For the six months ended 30 June 2011, sales revenue and sales volume in respect of AMD and Sapphire in aggregate declined by approximately 19.6% and 21.8%, respectively over the same period in 2010.

The Group's negative cashflow from operating activities for the six months ended 30 June 2011 was resulted from, firstly, short credit terms offered by new suppliers in respect of the EMS manufacturing of Internet Media Tablets and, secondly, the net reduction in import loans for the period. The Directors believe the Group would not move in a way that would adversely affect the Group's working capital requirements and the Group is taking steps to negotiate with the said new suppliers to provide longer credit terms in order to improve its cashflow on the operations.

Competition

The Group faces competition from other manufacturers of add-in video graphics cards and EMS providers. The Group's major competitors are other electronics manufacturers, some of which may have certain advantages over the Group, including greater financial, raw materials and components resources, greater economies of scale, broader brand name recognition and more established relationships in certain markets. As some of the Group's competitors have certain advantages over the Group, it may be easier for them to obtain raw materials and components from suppliers, which are also suppliers to the Group. Increased competition may also force the Group to lower prices, lead to a decrease in the Group's sales and ultimately may have a material impact on the Group's business, financial position and results of operations.

As the product cycle of add-in video graphics cards is being reduced from previously approximately 1 year to currently approximately 6 months, the manufacturers or brand owners need to have research and development team of higher capability than before.

However, there can be no assurance that these competitive strengths which exist now can be maintained in the future. If the Group is not able to maintain its competitive strengths or the competition faced by the Group is intensified unexpectedly, the Group's financial condition and results of operations could be adversely affected.

Rapid development of technology

The industry in which the Group operates is subject to rapid technological changes and short product development cycles. It is a common feature of the PC industry that product life cycles are short. As the Group's products are designed in response to the product development trend of GPUs, the introduction of new technology in GPUs may render the Group's finished products obsolete or non-compatible. In order to remain competitive, the Group needs to be able to keep abreast of technological development in the PC industry and design in a timely manner, and develop new products that meet market needs. In the event that the Group fails to respond to the technological changes in the market, the competitiveness of its products and therefore its profitability will be adversely affected.

The Group relies on the market demand for its customers' products, which is in turn dependent on global economic conditions

Some of the Group's products, such as POS base units for bank tellers are sold onto customers who will incorporate our products in the production of their products. The Group do not control or influence its customers' manufacture, promotion, distribution or pricing strategies. The demand for some of the Group's products is therefore dependent on the market demand for the Group's customers' products. The Group is therefore dependent on its customers' ability to market, promote and distribute their products effectively. Accordingly, the Group's business and financial results could be adversely affected by any decrease in worldwide demand from banks for POS and consumers for PCs, which have experienced cyclical downturns in the past.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

The Group may be subject to penalties under relevant PRC laws and regulations due to shortfall in making full Social Insurance contributions for its employees

The Group's PRC subsidiaries are required by the relevant PRC laws and regulations to make contributions, by way of employer's contributions and employees' contributions, to various Social Insurance schemes, including retirement, medical, unemployment and occupational injuries insurance. The PRC employees of the Group who are migrant workers from provinces outside Guangdong have difficulty in transferring their Social

Insurance contributions to their home cities when they leave Dongguan. For this reason, some of these migrant employees refuse to participate in Social Insurance schemes and have deductions made to their salaries to fund the employees' contributions. Accordingly, the Group did not enroll and make contributions in respect of Social Insurance schemes for the employees who did not participate. The Group started to enroll and make contributions for such PRC employees in the first quarter of 2011 and according to the letters of confirmation issued by Dongguan City Social Insurance Authority Houjie Branch (東莞市社會保障局厚街分局) dated 9 March 2011 and 3 November 2011, respectively, each of Dongguan Baineng and Dongguan Tianpei (i) complied with applicable Social Insurance laws and regulations; (ii) was not subject to any administrative penalties due to the violation of Social Insurance Laws and regulations; and (iii) was no existence of default on Social Insurance payment since incorporation.

During the Track Record Period, the Group regularly accounted for Social Insurance payment shortfall and made provisions accordingly. The provisions as at 30 June 2011 in respect of Social Insurance contributions were approximately HK$32.5 million. Please refer to note 25(a) in the accountants' report in Appendix I to this prospectus for details.

The Group's PRC Legal Advisers have advised that, in respect of the Social Insurance payment shortfall, the Group's departments responsible may be ordered to rectify the practice within a specified period. The responsible officers of Dongguan Baineng and Dongguan Tianpei may be fined between RMB1,000 and RMB10,000. The Group's departments responsible may be ordered to make payment towards the unpaid contributions within a specified period. In the event that the Group does not comply within such specified period, the Group may accrue a 0.2% daily penalty from the payment deadline in addition to the payment arrears.

Furthermore, employees of the Group have the right to ask the Group to pay the unpaid employees' contributions, pay any associated costs and compensation, or use the non-payment of such contributions as grounds to terminate their employment with the Group and seek the relevant compensation.

The Group may be subject to penalties under the relevant PRC laws and regulations for not effecting the relevant registrations for the housing provident fund schemes during the Track Record Period

The Group's PRC Legal Advisers have advised that, in respect of the housing provident fund enrolment and payment shortfall, the housing provident fund authorities may order Dongguan Baineng and Dongguan Tianpei, respectively to comply within specified periods. Failure to comply with the enrolment requirement may each result in fines between RMB10,000 and RMB50,000. The housing provident fund authorities may order the Group to make payment against the unpaid contributions within a specified period. In the event that the Group does not comply, the housing provident fund authorities may obtain mandatory enforcement court orders.

Dongguan Baineng and Dongguan Tianpei have effected their relevant registrations for the housing provident fund scheme with the Dongguan Housing Provident Fund Administrative Centre on 16 May 2011.

The PRC Employment Contract Law may adversely affect the Group's business operations or financial position

The PRC Employment Contract Law (the "**ECL**") became effective on 1 January 2008. Compliance with the requirements under the ECL, in particular, the requirements of severance payment and non-fixed term employment contracts, may increase our labour costs. The Group may not be able to efficiently terminate non-fixed term employment contracts under the ECL without cause. The Group is also required to make severance payments to fixed term contract employees when the term of their employment contract expires, unless the employee voluntarily terminates the contract or voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the Group are the same as or better than those stipulated in the current contract. A minimum wage requirement has also been imposed by the ECL.

In addition, under the Regulations on Paid Annual Leave for Employees (the "**Regulations**"), which also became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid leave of five to 15 days, depending on the length of work of the individual employee. Compliance with the ECL and the Regulations may adversely affect our labour and business operation costs, and adversely affect our results of operations.

The Group may lose the use of certain temporary building structures, which are not covered by building ownership certificates

The Group leased certain building structures in Dongguan, the PRC. Of which, 3,304 sq.m. of temporary building structures are not covered by building ownership certificates. The structures concerned are used as (1) shoes rooms, (2) guards houses, (3) refuse collection rooms, (4) disused buildings and (5) non-production related repair yard. While the landlord has undertaken to indemnify the Group against any loss arising from issues concerning the ownership of such properties, the Group may be inconvenienced, should it have to relocate from, or abandon the use of such properties. Please refer to the "Business — Properties leased by the Group" section in this prospectus for further details.

RISKS RELATING TO THE PUBLIC OFFERING

There has been no prior market for the Company's Shares, and the liquidity and market price of the Company's Shares following the Public Offering may be volatile

Prior to the completion of the Public Offering, there has been no public market for the Company's Shares. The Offer Price of the Offer Shares, was the result of negotiations between the Sponsor (on behalf of the Underwriters) and the Company. The Offer Price may not be indicative of the price at which the Shares will be traded following the completion of the Public Offering. In addition, there can be no guarantee that (i) an active trading market for the Shares will develop, or (ii) if it does develop, that it will be sustained following the completion of the Public Offering, or (iii) that the market price of the Shares will not decline below the Offer Price. The price of the Shares following the Offering may vary substantially from the Offer Price. If active trading market does not develop, the liquidity and price of the Shares may be adversely affected.

In addition, stock markets have experienced significant fluctuations in recent years, which have not always been related to the performance of the specific companies whose shares are traded thereon. Such fluctuations, as well as general economic conditions, may materially affect the price of the Company's Shares.

Certain facts, forecast and other statistics with respect to the video graphics cards products industry contained in this prospectus may not be reliable

Certain facts and other statistics in this prospectus relating to the video graphics cards industry have been extracted from the Synovate Report and other publicly available sources. The Directors believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Group has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been prepared or independently verified by the Sponsor, the Underwriters or any of their respective affiliates or advisers and, therefore, they make no representation as to the accuracy of such facts and statistics, including the facts and statistics included in the sections headed "Risk factors", "Industry overview" and "Business" in this prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to official statistics produced for other economies and prospective investors should not place undue reliance on them. Further, the Group cannot assure prospective investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, prospective investors should consider carefully how much weight or importance they should attach to or place on such facts or statistics.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements that are "forward-looking" and indicated by the use of forward-looking terminology such as "believe", "intend", "anticipate", "estimate", "plan", "potential", "will", "would", "may", "should", "expect", "seek" or similar terms. Prospective investors are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, although the Directors believe the assumptions related to those forward-looking statements are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the enclosure of forward-looking statements in this prospectus should not be regarded as representations by the Company or the Directors that the plans and objectives will be achieved, and prospective investors should not place undue reliance on such statements.