Potential investors should carefully consider all information set out in this prospectus and, in particular, should consider all the risks and uncertainties described below before making any investment decision in relation to the Company. Particular attention should be paid to the fact that the Company is incorporated in the Cayman Islands and the Group's principal manufacturing operations are conducted in the PRC and are governed by a legal and regulatory environment that in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on the Group's business, results of operations, financial position or on the trading price of the Shares, and hence on all or part of the investment in the Company.

RISKS RELATING TO THE BUSINESS OF THE GROUP

The Group faces risks associated with the changes in its business model

The Group is an established EMS provider headquartered in Hong Kong, which offers one-stop solutions to its EMS customers. Leveraging on its technological advantages and customers' network, the Group has been actively pursuing business expansion opportunities by vertical integration. As at the Latest Practicable Date, the Group's branded businesses included distribution of SMB phone systems under the "RCA" brand and assembly and/or distribution of portable storage devices and/or multimedia products under the "TrekStor" brand. For the year ended 31 December 2009 and the eight months ended 31 August 2010, revenue derived from the Group's branded businesses amounted to approximately HK$140.0 million and HK$220.9 million, respectively, accounting for approximately 17.1% and 32.0% of the Group's total revenue, respectively.

The Group intends to develop and expand its branded businesses through organic growth and acquisitions. Developing and commercialising products under its own brand requires substantial capital commitment. In the event that the Group fails to develop or commercialise its own brands, its financial position may be adversely affected. Also, there is no assurance that the Group will be able to acquire other profitable branded businesses on favourable terms or at all. In the event that the Group fails to develop its own brands or acquire other branded businesses, its financial position and results of operations may be adversely affected. Furthermore, there is also no assurance that its branded businesses will grow or that the Group's future branded businesses will be as profitable as the Directors expect.

The Group's branded businesses have a short track record and the Group may not be able to realise the benefits envisioned for its expansion into the branded businesses

The Group's branded businesses, which commenced in March 2009, have a limited track record upon which you can evaluate the prospects. Under its branded businesses, the Group manufactures and/or sources its licensed brand products and/or its own brand products and distributes them directly to distributors and/or retailers. The Group's licensed brand business comprises distribution of SMB phone systems under the "RCA" brand, whilst the Group's own brand business mainly comprises assembly and/or distribution of portable storage devices and/or multimedia products under the "TrekStor" brand.

Distribution of SMB phone systems under the "RCA" brand

The Group has been producing SMB phone systems since 2005 and started its SMB phone systems distribution business in North America in March 2009 under a licensing arrangement with an Independent Third Party.

Under the RCA Licence Agreement, RCA Trademark Management SAS granted TFNA (US) an exclusive licence to distribute SMB phone systems in North America under the "RCA" brand from 1 March 2009 to 31 December 2013. For the year ended 31 December 2009 and the eight months ended 31 August 2010, the revenue generated from the distribution business of SMB phone systems under the "RCA" brand accounted for approximately 14.3% and 15.1% of the Group's total revenue, respectively. Further details of the Group's business in distributing SMB phone systems under the "RCA" brand and the RCA Agreements are set out in the paragraph headed "Branded businesses – Licensed brand products distribution business in North America" under the section headed "Business – Business model" in this prospectus. The Group expects to derive an increasing proportion of its revenue through its distribution of SMB phone systems under the "RCA" brand in North America.

RCA Trademark Management SAS has the right to unilaterally terminate the RCA Licence Agreement upon the occurrence of certain events of default, which may or may not be within the Group's control. There is no assurance that the RCA Licence Agreement will be renewed beyond 31 December 2013 or on terms and conditions acceptable to the Group. In the event that the Group fails to renew the RCA Licence Agreement, the Group plans to develop SMB phone systems under other brands for distribution in North America. Such development and commercialisation require substantial capital commitment and there is no assurance that such products may attract sufficient level of market acceptance. If the RCA Licence Agreement is terminated by the licensor, or is not renewed upon its expiration, or is renewed on less favourable terms, there could be material adverse effect on the Group's business, financial position and results of operations.

According to NPD, for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the retail revenue of SMB phone systems in the US amounted to approximately US$129.9 million, US$101.3 million, US$82.4 million and US$51.1 million, respectively, with a decreasing trend of retail revenue. The Directors cannot ensure you whether the Group will be able to increase its market share in this diminishing market by competing with the existing and potential competitors. If the Group cannot successfully compete in the US SMB phone systems market, its business, financial position, results of operations and prospects may be materially and adversely affected.

Assembly and/or distribution of portable storage devices and/or multimedia products under the "TrekStor" brand

In November 2009, the Group acquired certain assets of TrekStor GmbH & Co. KG (in liquidation) including the "TrekStor" brand. Prior to such acquisition, the Group had no business establishment in Germany and the Group did not have any business dealings with TrekStor GmbH & Co. KG (in liquidation). The Group's own brand business under the "TrekStor" brand recorded a net loss of approximately HK$22.3 million during the eight months ended 31 August 2010. The loss was mainly attributable to (i) sales picked up slowly when the Group was re-establishing the business relationship with the customers of TrekStor GmbH & Co. KG (in liquidation) while the Group was obliged to continue to pay for overhead costs such as staff costs and rent; and (ii) the Group was taking steps to resume new product development to introduce new products to the market.

The Group's branded businesses are new and have a short track record. The Group had neither marketed nor distributed any products under the "RCA" brand or the "TrekStor" brand until March 2009 and November 2009, respectively. As such, it is difficult to identify the difficulties that the Group may encounter in different stages of developing and implementing its branded business model. In particular, the Group's ability to successfully integrate the newly developed branded businesses and realise the benefits therein requires, among other things, successful integration of technologies, operations and personnel in a timely and efficient manner. The Group may also face difficulties and challenges in expanding its branded businesses into new geographical markets and establishing customer relationships due to its lack of familiarity with the new business model, the new geographical markets and the operational risks and challenges associated therewith. The Group cannot assure you that the growth since the commencement of its branded businesses in March 2009 will be sustainable or achieved at all in the future. In the event that the Group is not able to successfully integrate the branded businesses and address the risks, difficulties and challenges associated therewith, its business, financial position, results of operations and prospects may be materially and adversely affected.

The Group's revenue is subject to seasonal fluctuations

The Group's revenue may be affected by seasonality and a number of other factors. The Group's results of operations varied from season to season in the past and are likely to continue to fluctuate in the future. For the three years ended 31 December 2007, 2008 and 2009, the average revenue of the Group for each of the second half year was approximately 39.2% higher than the revenue for each of the first half year. Please refer to the section headed "Financial Information – Seasonality factors" in this prospectus for further details. Such seasonality is primarily attributable to the traditional peak seasons in sales in the consumer electronics market in the second half of the year in North America and Europe. Accordingly, any comparison of the Group's results of operations between interim and annual results in a financial year is not necessarily meaningful. As a result, the Group's interim results should not be referred to as an indicator of the Group's performance for that financial year.

The Group's business relies to a large extent on the relationships with its major customers

The Group does not generally have any long-term contracts with its customers and therefore there is no assurance that any of the Group's customers will continue to place purchase orders with the Group in the future. Hence, the maintenance of close and long-standing relationships with its major customers is important to the business of the Group. There can be no assurance that the Group will continue to retain these customers or that these customers will maintain or increase their current level of business activities with the Group. For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, sales to the Group's five largest customers accounted for approximately 84.4%, 77.7%, 68.6% and 70.3% of its total revenue, respectively, and sales to the Group's single largest customer accounted for approximately 28.7%, 25.6%, 28.7% and 33.1% of its total revenue, respectively. In addition, the Group derives a substantial portion of its revenue under the branded businesses from a small number of customers. For the year ended 31 December 2009 and the eight months ended 31 August 2010, the five largest customers of the Group's branded businesses accounted for approximately 97.4% and 86.4% of its total revenue under the branded businesses, respectively. During the same period, the five largest customers of the Group's branded businesses accounted for approximately 16.6% and 27.7% of its total revenue, respectively. The results of operations and financial position for the branded businesses will continue to depend on the Group's ability to continue to secure orders from these major customers as well as the financial position and success of these major customers.

There is no guarantee that these major customers, including the five largest customers of the Group's branded businesses, will continue to place orders with the Group, or that, if continued, future orders will be at a comparable level or on similar terms as in prior periods. There is no assurance that the Group could successfully secure replacement customers or new customers. In the event that there is material delay, reduction or cancellation of orders or a termination of relationship with any of these major customers or there is any imposition of significant restriction on the pricing terms for these major customers, the Group's business, financial position and results of operations could be materially and adversely affected.

The Group may not be able to adapt to its customers' varying requirements, and failure to adapt to such requirements may result in loss of customers and business

The consumer electronics market is subject to fast changing market demand. Technological breakthrough on certain consumer electronic products may enhance their production with higher quality and lower production costs. Customers may request the Group to develop new products and/or modify existing products in order to adapt to the customers' varying requirements. This will create a heavy burden on the Group's research and development teams and its management. There is no assurance that the development of new products and/or modification of the existing products by the Group would be successful and well received by its customers. If the Group fails to adapt to its customers' varying requirements in the future, its business, financial position and results of operations may be materially and adversely affected.

The Group has experienced significant growth in the past, it may not be able to maintain such growth in the future

During the Track Record Period, the Group had expanded its production capacity and customer base, as well as its product range and geographical coverage. It has also developed the branded businesses. The Group expects to continue expanding its operations and developing new market segments. During the Track Record Period, the Group had significantly increased the scope of its operations and its revenue increased from approximately HK$564.1 million for the year ended 31 December 2007 to approximately HK$821.9 million for the year ended 31 December 2009, representing a CAGR of approximately 20.7%. The profit attributable to owners of the Company for the year ended 31 December 2009 was approximately HK$76.2 million and the unaudited estimated combined profit attributable to owners of the Company for the year ended 31 December 2010 will not be less than HK$67.6 million. The expansion of the Group's business has, and will continue to, put pressure on its managerial, technical, financial, production, operational and other resources and requires the Group to increase its production capacity, product expertise and areas of operations. The Group may also need to enhance its financial and quality controls, recruit and train additional staff, especially in research and development and production line operations, in order to keep pace with its growth. The Group may need to offer better remuneration packages to its employees in order to retain its existing key management personnel and attract high quality and well experienced personnel.

The Group's strategy to expand into the global markets subjects it to the risk of business or market disruptions which may result in delays and/or increased costs in production or delivery. There is no assurance that the Group will be able to manage its future expansion effectively. If the Group is unable to effectively manage its expanding operations and controls over increasing labour costs, its profitability may be adversely affected. Future expansion may also result in production problems due to capacity constraints, construction delays, or difficulties in upgrading or expanding production facilities.

The Company is a holding company and, therefore, the Company's ability to pay dividends or make any other distributions depends entirely on distributions received from its subsidiaries

The Company is a holding company, its results of operations and financial position are entirely dependent on the performance of the members of the Group. The Company's ability to pay dividends will depend on the level of distributions, if any, received from its subsidiaries. The ability of the Company's subsidiaries to make distributions to the Company may, from time to time, be restricted as a result of several factors, including foreign exchange limitations, the requirements of applicable laws, and regulatory, fiscal or other restrictions of the countries in which the Group has operations. The Group's subsidiaries declared HK$10.0 million, HK$19.0 million, HK$33.5 million and HK$33.8 million dividends to their then shareholders for profit generated during the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, respectively. The principal source of funding for such dividend payments was from the cash inflow generated from the Group's operations. The Group made payment of dividends based on the business and financial results of the Group's subsidiaries as well as interests of their then shareholders. There is no assurance that dividends of similar amounts or at similar rates will be made in the future and the past dividends referred to above should not be used as a reference to the Company's dividend policy, nor as a basis to forecast the amount of dividends payable in the future. Furthermore, the Company's rights to participate in a distribution of its subsidiaries' assets upon their liquidation, reorganisation or insolvency is generally subject to prior claims of the subsidiaries' creditors.

The Group may be adversely affected by product liability claims

The Group faces an inherent risk of exposure to product liability claims in the event that its products fail to perform to the specifications, or are alleged to have caused damage to property of others, bodily injury or death. There is no assurance that the Group will not face any product liability claims or that it will maintain sufficient insurance coverage in the future. If a product liability claim brought against the Group is in excess of available insurance coverage or there is a requirement for any product recall, the Group may face material adverse effects on its financial position and results of operations.

The Group's success relies to a large extent on its intellectual property rights, and failure to protect such intellectual property rights may affect its ability to compete

The Group regards its copyrights, trademarks, trade secrets and other intellectual property rights as its important assets. As at the Latest Practicable Date, the Group registered 11 trademarks in Hong Kong and various other countries. Pursuant to the TrekStor Transfer Agreement, certain "TrekStor" related trademarks (i.e. those trademarks as set out in the paragraph headed "Intellectual Property Right of the Group" in Appendix VI to this prospectus) applied onto products distributed under the "TrekStor" brand will be assigned to TrekStor (HK) upon satisfaction of certain conditions under the TrekStor Transfer Agreement. These conditions have already been fulfilled and all "TrekStor" related trademarks that are material to the Group's business have been assigned to the Group. As the remaining trademarks under the TrekStor Transfer Agreement are immaterial to the Group, the non-assignment of the remaining trademarks would not affect the business and daily operations of the Group. As at the Latest Practicable Date, two of the "TrekStor" related trademarks are registered under TrekStor (HK)'s name. Steps have been taken by the Group to complete the registration of other "TrekStor" related trademarks which are material to the Group's business in various countries. Please refer to the section headed "Business – Intellectual property rights" in this prospectus for further information. Given that the registration of these "TrekStor" related trademarks are yet to be approved by the relevant government authorities, there can be no assurance that there will not be any claims, disputes or litigation made or threatened to be made against the Group in the future for these trademark registrations.

The Group relies on a combination of copyrights, trademarks and trade secret laws, as well as confidentiality agreements with employees and customers to protect its intellectual property rights. If there is any breach of the confidentiality agreement, the Group's trade secrets may become known to its competitors. Although the Group had not experienced any infringement of its intellectual property rights by third parties during the Track Record Period, the Group cannot assure you that the steps it has taken or will take to protect its intellectual property rights will adequately protect its proprietary rights or that others will not independently develop or otherwise acquire equivalent or superior technology or that it can maintain such technology as trade secrets. The Group's failure to protect its intellectual property rights could have an adverse effect on its business, results of operations and financial position.

The Group's reliance on key management and personnel

The Directors believe that future success of the Group depends upon the continued service of its senior management. Most of the executive Directors have been with the Group since the commencement of the Group's business and most of them have been shareholders of the Group's subsidiaries since 1992. Each of the following executive Directors, namely, Mr. Cheng, Mr. KY Ng, Ms. Fok and Mr. KB Lee, as well as most of the members of the senior management, possess more than 20 years of experience in the EMS and/or branded business industry. Their experiences have contributed to the success of the Group's business. If the Group loses the services of any of these key personnel and the Group is unable to find suitable replacement, its results of operations and future development may be adversely affected.

The Group relies on its suppliers to supply quality raw materials and components

The Group's production operations depend on obtaining quality raw materials and components on a timely basis at competitive prices. It places a strong emphasis on quality assurance and has adopted stringent quality control procedures during the production process. In order to ensure that the raw materials and components procured are of the requisite standard, the Group maintains an approved vendor list for each of its principal raw materials and components and reviews the list periodically. For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, purchases from the Group's five largest suppliers accounted for approximately 29.2%, 23.1%, 22.3% and 25.4% of its total purchases, respectively. During the same period, purchases from the Group's single largest supplier accounted for approximately 12.6%, 6.7%, 6.9% and 10.1% of its total purchases, respectively. In the Group's EMS production process, in order to maintain its inventory of raw materials and components at a minimum level, the Group typically procures raw materials and components upon receipt of purchase orders from its customers. In the event that any of its suppliers on the approved vendor list ceases to supply the raw materials or components or there is a shortage of supply by such supplier, the Group may not be able to procure the relevant raw materials and components from an alternative quality supplier in a timely manner and at competitive prices or at all. As such, the Group may not be able to fulfil its obligations to its customers in an efficient and timely manner and its reputation, business and results of operations may be adversely affected.

Machinery is subject to breakdown and depreciation and the Group may not be able to find replacements

The Group's operations are heavily dependent on the use of machineries, which are specialised and necessary for its production. Machinery will succumb to breakdown and depreciation. There is no assurance that the Group will not require periodic machinery replacement or that replacements will be readily available. The Group may also require maintenance services of its machineries from external vendors which may or may not provide timely maintenance services. Under such circumstances, the Group's financial resources will need to be employed or diverted to the servicing and replacement of machinery, and its business, financial position and results of operations may be materially and adversely affected.

The Group may encounter difficulties in entering into new markets and implementing its expansion plans

Leveraging on its established EMS business, the Group has been vertically expanding its business operations by engaging in the branded businesses. As at the Latest Practicable Date, the Group's branded products include SMB phone systems under the "RCA" brand and portable storage devices and multimedia products under the "TrekStor" brand. The Group intends to widen the scope and markets of its branded products by organic growth or through acquisitions.

The successful implementation of such plans may be influenced by various factors, including the availability of sufficient resources such as funding and manpower, the identification of suitable and marketable products, the technological knowledge and skills, the ability and willingness of its suppliers to supply on a timely basis at competitive prices. These essential factors are beyond the Group's control.

The Group may not be able to achieve its planned expansion, or to effectively integrate any production of new products into its existing production facilities. In particular, such newly introduced products may not achieve its desired sales or profitability levels, whilst entering into new geographical markets could present challenges different from those the Group currently or previously faced within its existing geographical markets.

Fluctuations in foreign exchange rates may adversely affect the Group's business

The Group may be exposed to foreign exchange risk as a result of the mismatch between the currencies used in its sales, purchases and operating expenses. Whilst the Group settles its purchases mainly in HK dollars, Renminbi or U.S. dollars, its customers generally settle their payments in Euro or U.S. dollars. Most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars, U.S. dollars, RMB and Euro. Changes in the relevant exchange rates between these currencies may affect the Group's gross and net profit margins and could result in foreign exchange and operating losses. Since the Group commenced its US operations and German operations in 2009, the Group may be subject to more severe foreign exchange risk as the US and European economies have been subject to volatile fluctuations in recent years which may have an adverse effect on U.S. dollars and Euro.

The Group cannot predict the impact of future foreign exchange rate fluctuations on its financial position or results of operations. The Group has adopted foreign currency hedging policies in respect of foreign currency transactions, assets and liabilities. However, there can be no assurance that such foreign currency hedging policies will be able to adequately hedge all of the Group's exposure to foreign exchange risks. If the foreign currency hedging policies adopted by the Group is not successful, the Group's business and results of operations may be materially and adversely affected.

The Group's results may be adversely affected by the global economic downturn and adverse credit and market conditions

The global financial crisis which commenced in late 2008 caused substantial volatility in the capital markets and a downturn in the global consumer electronic products industry. Demand for consumer electronic products and other products may decrease if the level of global consumption is affected by these changing market conditions, which would adversely impact the cash flow generated from the Group's operations. In addition, some of the international brand owners of consumer electronic products may also be adversely impacted with declines in profits and production output. Furthermore, the availability of credit to entities is significantly influenced by levels of investor confidence in the financial markets as a whole and any factors that may impact market confidence could affect the costs or availability of funding for entities within these markets. These challenging market conditions have resulted in reduced liquidity, lack of price transparency in credit markets, a reduction in available financing and a tightening of credit terms. If this economic downturn continues or there are prolonged disruptions to the credit markets, this could limit the Group's ability to borrow funds from its current or other funding sources or cause the continued access to funds to become more expensive, and the Group's business may be exposed to a downturn in sales that might be caused by such tightening of credit conditions, and its results of operations, financial position and prospects may be materially and adversely affected.

Title defects of the Group's leased properties

The Group entered into lease agreements with several lessors who are all Independent Third Parties for its production facilities in Guangzhou, which mainly comprise four blocks of buildings with a gross floor area of approximately 29,870.3 sq.m. (the "**Guangzhou Land**"). The landlords of the Guangzhou Land possess the Houses Site(s) Certificates (宅基地使用証) for the Guangzhou Land.

As advised by the PRC Legal Advisers, houses sites (宅基地) are only permitted for residential uses by villagers in rural areas, as such, the current use of the Guangzhou Land does not comply with the applicable laws and regulations in the PRC, and the Group may be required to relocate its production facilities on the Guangzhou Land. In addition, the Group has occupied several temporary structures on the Guangzhou Land which do not have relevant planning permits, construction permits and building ownership certificates. Thus, the local competent authority may impose monetary penalties and require the Group to demolish the said temporary structures. Further details of the Guangzhou Land are set out in the section headed "Business – Property interests" in this prospectus. For each of the three years ended 31 December 2007, 2008 and 2009, the products manufactured at the production facilities located on the Guangzhou Land contributed no less than 90% of the total revenue for each of the respective year while for the eight months ended 31 August 2010, the products manufactured at the production facilities located on the Guangzhou Land contributed no less than 70% of the total revenue for the respective period. In the event that the Group is required to relocate and/or demolish its production facilities and/or temporary structures on the Guangzhou Land, there is no assurance that it may be able to find an alternative location at acceptable terms. Furthermore, the Group's production may be interrupted due to such relocation and/or demolition. As such, the Group's business operations and financial results may be adversely affected.

The Group's non-compliance with certain social security insurance and housing provident fund contributions laws and regulations in the PRC could lead to the imposition of fines and penalties

During the Track Record Period, certain PRC entities of the Group had not paid certain past social security insurance premiums and housing provident fund contributions for themselves and on behalf of their employees due to differences in local regulations and inconsistent implementation or interpretation by local authorities in the PRC, as well as different levels of acceptance of the social security system by their employees. As at 31 August 2010, the Group had made full provisions of approximately HK$38.5 million in respect of the overdue social security insurance premiums and housing provident fund contributions for all of its eligible permanent staff during the Track Record Period. Please refer to the paragraph headed "Social security insurance and housing provident fund contributions" under the section headed "Business – Regulatory compliance" in this prospectus for further details.

As advised by the PRC Legal Advisers, the Group may be ordered to pay such outstanding social security insurance premiums and/or housing provident fund contributions within a prescribed time limit by the relevant PRC authorities. According to《住房公積金管理條例》(the Regulations on Management of Housing Provident Fund), if the Group fails to rectify the non-compliance within the prescribed time limit as ordered by the relevant PRC authorities, a fine in an amount between RMB10,000 and RMB50,000 may be imposed on the Group. In addition, pursuant to《社會保險費征繳暫行條例》(the Interim Regulation on the Collection and Payment of Social Security Insurance Premiums), if the Group fails to rectify the non-compliance within the prescribed time limit as ordered by the relevant PRC authorities, the relevant PRC authorities may impose a belated payment (滯納金) at the daily rate of 0.2% of the overdue social security insurance premiums for any delay in payment from the date when the relevant contributions become due and payable until the actual payment date. Any judgment or decision against the Group in respect of the outstanding social security insurance and/or housing provident fund contributions could have an adverse effect on the Group's reputation, cash flow and results of operations.

Inventory obsolescence may affect the Group's profitability and financial results

Whilst inventory levels for the Group's EMS business were kept at not more than two months on average, the Group usually keeps less than three months' inventory including goods in transit to cater to the changing demand for the products for its branded businesses. As the Group aims at further expanding its branded businesses, the Directors expect that there may be an increasing trend of inventory level. Provision will be made for inventories, which are considered obsolete after taking into account the aging of the inventory items, the movements and usefulness or residual value of the inventories. For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the Group made net provisions for inventory obsolescence for approximately HK$0.3 million, HK$0.9 million, nil and nil, respectively. There is no assurance that the Group will be able to accurately ascertain the market demand for its products, and that the inventory will be sold as expected. In the event that the inventory become obsolete, provisions need to be made, and the Group's profitability and financial results may be adversely affected.

Increase in net sales return may affect the Group's profitability and financial results

The Group usually provides a two-year warranty to customers of its branded products. Prior to the commencement of the branded businesses, only SMB phones produced and supplied to one of the Group's customers was subject to the "Return to Vendors" programme. Since the commencement of the branded businesses, similar "Return to Vendors" programme are in place for the Group's branded businesses in North America. It is the Group's policy to make product warranty provision for products that are subject to the "Return to Vendors" programme. Pursuant to a supply agreement entered into between the Group and one of its major customers based in the US, such customer could return any products to the Group without provision of reasons under the "Return to Vendors" programme. For the year ended 31 December 2008, in light of the potential financial impact on the US economy arising from the subprime mortgage crisis, the Group made a general product warranty provision of approximately HK$5.0 million to cater to the possible increase in sales returns from such customer which was based in the US. In addition, a specific product warranty provision of approximately HK$4.9 million was made for the year ended 31 December 2008 for the estimated value of sales return from one of the Group's major customers due to design defect made by the Group. The approximately HK$4.9 million specific warranty provision had covered all the relevant costs in relation to the sales return of the relevant products. The design defect of this product was caused by the change of design requirement which resulted in its intermittent operation failure which was not detected during manufacturing and inspection stages. The Group worked closely with the customer to eliminate such design defect. The goods were repaired and received by the customer with satisfaction subsequently. Due to prompt and responsible actions taken by the Group, there were no adverse effect on the business relationship with such customer. However, there is no assurance that similar intermittent operation failure will not happen in the future and there will be no material sales return from the Group's customers arising from other reasons in the future. With the commencement of branded businesses, additional product warranty provision of approximately HK$6.9 million and HK$4.2 million were made by the Group for its licensed brand business and own brand business, respectively, for the year ended 31 December 2009. For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the Group incurred approximately HK$9.0 million, HK$15.4 million, HK$18.0 million and HK$13.9 million for net sales return arising from product warranty, representing approximately 1.6%, 1.8%, 2.2% and 2.0% of its revenue, respectively. It is one of the Group's business strategies to further develop and expand its branded businesses in the future. Please refer to the section headed "Business – Business strategies" in this prospectus for further details of the Group's business strategies. As such, the product warranty provision and the net sales return may increase following the Group's expansion in the branded businesses. The Group's profitability and results of operations may be adversely affected by the increasing product warranty provision and net sales return.

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

As at the Latest Practicable Date, the Group had approximately 2,400 full-time employees working in its production sites in Guangzhou and Huizhou. Labour disruptions of any form or scale may have a negative impact on the Group's operations and any material increase in labour costs in the PRC may, if the same cannot be passed onto its customers, adversely affect the Group's profits. For risks relating to changes in labour laws in the PRC, please refer to the paragraph headed "Cost of compliance with the PRC Labour Contract Law and other increases in labour costs may adversely affect the Group's competitive advantage and profits" under the sub-section headed "Risks relating to the PRC" in this section.

The Group may be subject to acts of God, acts of war and epidemics or pandemics which are beyond its control and which may cause damage, loss or disruption to its business

The Group's business is subject to general economic and social conditions globally. Natural disasters, epidemics or pandemics and other acts of God which are beyond its control may affect the economy, infrastructure and livelihood of the people globally. In April 2009, H1N1 swine influenza broke out in Mexico and spread globally, resulting in the loss of lives and widespread fear. The Group's business, results of operations and financial position may be adversely affected in a material respect if such natural disasters occur. Certain areas of China, including the Guangdong province, are susceptible to epidemics, such as SARS or swine or avian influenza. A recurrence of SARS, an outbreak of swine or avian influenza, or any epidemic, in the Guangdong province or other areas of China, could result in material disruptions to the Group's operations or a slowdown in China's economy, which could materially and adversely affect its business, financial position and results of operations. Acts of war and terrorism may also injure the Group's employees, cause loss of lives, damage its facility, disrupt its distribution channels and destroy its markets, any of which could materially impact the sales, costs, overall financial position and results of operations of the Group. The potential for war or terrorist attacks may also cause uncertainty and cause the Group's business to suffer in ways that it cannot predict. The Group's business, financial position and results of operations may be materially and adversely affected as a result.

The Group is subject to certain restrictive covenants and certain risks normally associated with debt financing which may limit or otherwise adversely affect its operations

The Group is subject to certain restrictive covenants in loan agreements between itself and certain banks which may restrict or otherwise adversely affect the Group's operations, such as its ability to incur additional indebtedness or make distributions to its Shareholders. Failure by the Group to meet any payment obligation or to comply with these restrictive covenants or any financial ratio contained therein or violation of any restrictive covenant may constitute an event of default under the loan agreements. If an event of default occurs under the loan agreements, the lenders will be entitled to accelerate payment of all or any part of the indebtedness owing under the loan agreements. During the Track Record Period, the Group failed to maintain the required net leverage ratio and consolidated tangible net worth pursuant to one of the banking facilities. Please refer to the section headed "Business – Corporate governance matters" in this prospectus for further details. There is no assurance that the Group will be able to adhere to all of the loan covenants in the future. If any of the events of default under any loan agreements were to occur, the Group's financial position, results of operations, cash flow and cash available for distributions to the Shareholders may be materially and adversely affected.

RISKS RELATING TO THE INDUSTRY

The Group's results of operations may be adversely affected by environmental and safety regulations to which the Group is subject to

The Group is required to comply with the environmental and safety laws and regulations in the PRC as well as international environmental and safety regulations and standards applicable to its customers and products. There is no assurance that the Group can at all times be in complete compliance with such laws, regulations, approvals and permits. If the Group violates or fails to comply with the requirements, it could be fined or otherwise sanctioned by the regulators. In some instances, such a fine or sanction could be material. In addition, these requirements may become more stringent over time and there can be no assurance that the Group will not incur additional material environmental costs or liabilities in the future.

The Group's failure to compete effectively in the design of its products could result in loss of customers, which could have an adverse effect on the Group's results of operations

The Group researches, develops, designs and produces its products pursuant to customers' demand. The Group competes with a number of domestic and foreign companies in the industry, some of which have substantially greater production, financial, research and development, and marketing capabilities than the Group and some of which may have more cost efficient structures than the Group as a result of their geographical locations or the services they provide. The competitive pressures faced by the Group come principally from the following:

- the Group's existing competitors, which continually seek to improve on the performance of their current products, reduce their current product sales prices and introduce new products that may offer better functions and competitive pricing;

- the Group's current and prospective EMS customers, which continually evaluate the merits of producing the products internally or by other EMS providers; and
- distribution companies and others that may seek to enter into the EMS industry.

The Group's gross profit margin is influenced by changes in the average selling prices of its products, its product sales mix and its cost of sales. The average selling prices of the Group's products are subject to downward pressure due to the highly competitive industry in which it operates. Competition could cause the Group to experience downward pressure on prices, fewer customer orders, reduced profit margins, an inability to take advantage of new business opportunities and a loss in the market share.

If the Group fails to keep pace with technological changes, its business, financial position and results of operations may be adversely affected

Changes in technologies may render certain of the Group's machineries and products obsolete. The Group's ability to anticipate changes in technology and to develop and introduce new and enhanced products successfully on a timely basis is crucial to its ability to grow and to remain competitive. There is no assurance that the Group will be able to achieve the technological advances that may be necessary for it to remain competitive or that certain of its machineries and products will not become obsolete. The Group is also subject to the risks generally associated with new product introductions and applications, including delays in new product development. The Group cannot provide assurance that it will be able to continue to successfully develop new products through its research and development efforts or that it will be able to keep pace with technological changes in the market.

The Group may face liabilities for infringement of intellectual property rights of third parties

During the Track Record Period, the Group used unlicensed computer software products purchased from Independent Third Parties in the course of its operations in the PRC. Please refer to the section headed "Business – Intellectual property rights" in this prospectus for further details. There is no assurance that the Group will not be subject to any claim or prosecution for the use of such unlicensed computer software products in the future.

In addition, it is possible that the Group may inadvertently infringe the intellectual property rights of others and face liabilities for such infringements in the course of carrying on its business or that third parties may initiate litigation against the Group claiming infringement of third party intellectual property rights. It is difficult to predict how such disputes would be resolved. The defence and prosecution of intellectual property rights are costly and will divert the attention of the Group's management from the normal operations of the Group's business. The Group's reputation and financial results may be adversely affected should there be any future legal proceedings against it for infringement of intellectual property rights of third parties. The Group may not prevail in any such legal proceedings. Any adverse decision with respect to any legal proceedings against the Group, resulting in a finding of infringement by the Group, whether or not advertent, may result in the imposition of monetary penalties on the Group or requirements to cease or modify the alleged infringing activity. Furthermore, the Group may also be required to pay damages to the relevant third parties.

The Group's business operations depend on the outsourcing of manufacturing operations by international brand owners of consumer electronic products

The Group has been growing and expanding since its establishment by capturing the business opportunities available under the trend of outsourcing of manufacturing operations by international brand owners of consumer electronic products. The Directors expect that the Group will further grow and expand its business by relying on such trend. However, there is no assurance that such outsourcing trend will continue. Furthermore, in the event that such international brand owners change their business strategies, the Group may not be able to respond to such changes and its results of operations may be materially and adversely affected.

RISKS RELATING TO THE PRC

Political and economic policies of the PRC government could affect the Group's business

With the commencement of the PRC government's efforts to reform the Chinese economic system in the late 1970s, the PRC government has placed increasing emphasis on the utilisation of market forces to develop the PRC economy. Over the last three decades, the PRC government's reform measures have resulted in the PRC economy experiencing significant growth and social progress. However, many of the reforms are unprecedented or experimental and are expected to be refined and modified from time to time. Any revision or modification to the economic and political strategies and policies of the PRC government could have a material adverse effect on the overall development of the EMS products in the PRC. With most of the Group's production facilities located in China, the Group's operations and financial results could be adversely affected by any stagnation in the development of this market in the PRC. The Group may not in all cases be able to capitalise on economic reform measures adopted by the PRC government. The Group cannot ensure you that the PRC government will not impose economic and regulatory controls that may adversely affect the Group's business, financial position and results of operations.

Any changes in the PRC government policies regarding foreign investments in the PRC may adversely affect the Group's business, financial position and results of operations

Foreign investments are subject to foreign investment policies and laws of the PRC. Under 《外商投資產業指導目錄》(the Catalogue for the Guidance of Foreign Investment Industries) which came into effect on 1 December 2007, the Group's EMS and branded businesses do not fall under the prohibited or the restricted categories for foreign investments. There is no assurance that the Group's business would not fall under such prohibited or restricted categories subsequent to any change to the foreign investment policies and laws of the PRC or that the Group could not be subject to more stringent restrictions on its operation and business, which may adversely affect its financial position and results of operations.

Distribution and transfer of funds may be subject to restrictions under the PRC law

The Company is a holding company incorporated in the Cayman Islands and does not have any business operations other than investments in its subsidiaries. The Company relies entirely on the dividend payments from its subsidiaries, especially its principal operating subsidiaries in the PRC. Under the PRC laws, dividends from its subsidiaries in the PRC may only be paid out of net profit calculated according to PRC accounting principles, which are different in many respects from the HKFRS, and after recovery of accumulated losses and allocations to statutory reserves which are not available for distribution as cash dividends. Distributions by the Company's subsidiaries in the PRC to the Company may be subject to governmental approval and taxation. These requirements and restrictions may affect the ability of the Company's PRC subsidiaries in the distribution and payment of dividends and in turn affect the Company's ability to pay dividends to its Shareholders. Any transfer of funds from the Company to its subsidiaries in the PRC, either as a shareholder loan or as an increase in registered capital, is subject to registration with and approval granted by PRC governmental authorities, including the relevant administration of foreign exchange and/or the relevant examining and approval authority. These limitations on the free flow of funds between the Company and its PRC subsidiaries could restrict the Company's ability to act in response to changing market conditions in a timely manner. Furthermore, members of the Group may obtain credit facilities from banks in the future which restrict them from paying dividends to their Shareholders, which may have an adverse impact on their ability to pay dividends to their Shareholders.

Government control of currency conversion and changes in the exchange rate between RMB and other currencies could adversely affect the Group's financial condition, operations and its ability to pay dividends

RMB is not currently a freely convertible currency and the Group needs to convert RMB into foreign currencies for payment of dividends, if any, to holders of the Shares. Under the current foreign exchange regulations in China, the Company's PRC subsidiaries will be permitted, to effect foreign exchange for current account transactions (including the distribution of dividends) through accounts permitted by the PRC government. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where RMB is to be converted into foreign currency and remitted out of China for capital-account transactions, such as the repatriation of equity investment in China and the repayment of the principal loans denominated in foreign currencies. There can be no assurance that the PRC government will not in the future impose restrictions on foreign exchange transactions for current-account items, including the payment of dividends.

The exchange rate of RMB against U.S. dollars and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC government and changes in the PRC's and international political and economic conditions. Since 1994, the conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's interbank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of RMB to U.S. dollars was generally stable. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of RMB appreciated by approximately 2% against U.S. dollars. The PRC government has since made, and in the future may make, further adjustments to the exchange rate system.

There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a further and more significant appreciation of RMB against U.S. dollars, Hong Kong dollars or other foreign currencies. If the appreciation of RMB continues, and as the Group needs to convert the proceeds from the Share Offer and future financing into RMB for its operations, appreciation of RMB against the relevant foreign currencies would have an adverse effect on the RMB amount it would receive from the conversion. On the other hand, because the dividends on the Shares, if any, will be paid in Hong Kong dollars, any devaluation of RMB against the Hong Kong dollars could adversely affect the amount of any cash dividends on the Shares in Hong Kong dollars terms.

Cost of compliance with the PRC Labour Contract Law and other increases in labour costs may adversely affect the Group's competitive advantage and profits

The EMS industry is labour intensive. The Group cannot assure you that the cost of labour in China will not increase in the future. Labour costs in China are primarily a function of demand and supply of labour, general economic conditions and the standard of living in China. If labour costs in China increase, the Group's operating costs will increase and the Group may not be able to pass these increments to its customers due to competitive pricing pressures and hence the Group's results of operations may be adversely affected.

In particular, the Group is subject to《中華人民共和國勞動合同法》(the Labour Contract Law of the PRC) (the "**PRC Labour Contract Law**"), which became effective on 1 January 2008 and regulates workers' rights in China concerning overtime hours, pensions and the role of trade unions and provides for specific standards and procedures for termination of employment. The aggregate staff costs of the Group increased from approximately HK$70.7 million for the year ended 31 December 2007 to approximately HK$103.2 million for the year ended 31 December 2008, representing a CAGR of approximately 46.0%. Please refer to note 12 to the Accountants' Report in Appendix I to this prospectus for further details. The PRC Labour Contract Law has increased the Group's operating expenses and in the event that the Directors decide to terminate some of the Group's employees or otherwise change its employment or labour practices, the PRC Labour Contract Law may limit its ability to effect these changes in a manner that the Directors believe to be in the interest of the Group. Any increase in the Group's operating expenses could have a material adverse effect on its financial position and results of operations.

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 final Offer Price for the Shares was the result of negotiations between the Company and China Merchants Securities (for itself and on behalf of the Underwriters). The final Offer Price may differ significantly from the market price for the Shares following the Share Offer. The Company has applied for the listing of, and permission to deal in, its Shares on the Stock Exchange. There is, however, no assurance that an active trading market for the Shares will develop after the Listing, or that if it does develop, will be sustained following the Share Offer, or that the market price of the Shares will not decline following the Share Offer.

The price and trading volume of the Shares will be determined by the equity market conditions and may be highly volatile. Factors such as variations in the Group's revenue, earnings and cash flows, changes in or challenges to the Group's business, announcements of new investments or acquisitions, the depth and liquidity of the market for the Shares, investors' perceptions of the Company, and general political, economic, social and market conditions in the PRC, Hong Kong or other parts of the world might cause the market price of the Shares to fluctuate substantially.

There can be no guarantee as to the accuracy of facts and other statistics contained in this prospectus with respect to the economies and the industry in which the Group operates

Certain statistics, industry data or other information in this prospectus relating to the global consumer electronics industry and the regional markets of consumer electronics in the Americas, Japan, the Asia-Pacific region, Europe, Middle East and Africa have been derived from various official government publications or official sources that are publicly available as well as research reports published by iSuppli and NPD. The Group believes 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 independently verified by the Group, the Sole Bookrunner, the Sponsor, the Underwriters, any of their respective directors, officers, affiliates, advisers or representatives, or any other party involved in the Share Offer. Therefore, the Group makes no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the Americas, Japan, the Asia-Pacific region, Europe, Middle East and Africa. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the official government statistics and unofficial statistics referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such facts or statistics.

Issue of new Shares under the Share Option Scheme will have a dilution effect and may affect the Group's profitability

The Company has conditionally adopted the Share Option Scheme. Although no options have been granted thereunder as at the Latest Practicable Date, any exercise of the options granted under the Share Option Scheme in the future and issue of the Shares thereunder would result in a reduction in the percentage ownership of the Shareholders in the Company and may result in a dilution in the earnings per Share and net assets value per Share, as a result of the increase in the number of Shares outstanding after the issue.

Under HKFRS, any options granted to the grantees through the Share Option Scheme will be recognised as share based payment and will be charged to the Group's income statements at fair value at the date of which such options are granted. As such, any grant of options under the Share Option Scheme may increase the expenses of the Group and may thereby affect the Group's profitability.

You should not rely on any information contained in press articles or other media regarding the Company and the Share Offer

Prior to the publication of this prospectus, there may be certain press and media coverage regarding the Company and the Share Offer which may include certain financial information, industry comparisons, profit estimates and other information about the Company that does not appear in this prospectus. The Group has not authorised the disclosure of any such information in the press or media and does not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. The Group makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Prospective investors should not rely on any such information and should only rely on information included in this prospectus in making any decision as to whether to subscribe for the Shares.