

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

BUSINESS OVERVIEW

The Group is a provider of business equipment and tax control equipment based in the PRC. The Group excels, in particular, in the production of SDM printers. Its headquarters and operation base are located in Jiangmen. The Group’s core activities are (i) the design, manufacture and sale of business equipment and tax control equipment under its owned brand name “Jolimark”; (ii) the distribution in the PRC of Epson branded SDM printers and (iii) the manufacture in the PRC of business equipment, tax control equipment and other electronic products on EMS/ODM/OEM basis.

During the Track Record Period, the products manufactured and sold by the Group can be divided into the following categories:

1. Business equipment — SDM printers, mini printers, LCD projectors and electronic white boards
2. Tax control equipment — tax control printers, anti-fraud invoice printers (VAT invoice) and other tax control equipment
3. Other electronic products — PCBAs, mail folder inserter machines and car audio products

The following table sets out the different types of products manufactured by or on behalf of the Group under (i) Jolimark brand name; and (ii) on EMS/ODM/OEM basis in brand names other than Jolimark:

Manufactured and sold under Jolimark brand name	Manufactured and sold on EMS/ODM/OEM basis which products are in brand names other than Jolimark
Business equipment including SDM printers, mini printers, LED colour printers* and electronic white boards	Business equipment including SDM printers and related products and LCD projectors
Tax control equipment including tax control printers, anti-fraud invoice printers (VAT invoice) and other tax control equipment	Tax control equipment including anti-fraud invoice printers (VAT invoice), tax control ECRs and other tax control equipment
	Other electronics products including PCBAs, mail folder inserter machines and car audio products

* The production of LED colour printers has been subcontracted to an independent printer manufacturer.

The Group is experienced in producing business equipment utilising optical, mechanical and electrical engineering technology. Such business equipment includes SDM printers, LCD projectors and other digital display products. In addition, the Group has produced, on an EMS/ODM/OEM basis, tax control equipment

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and other electronic products by capitalising on its know-how in SMT and PCBA. The Group's top EMS/ODM/OEM customers include international brand owners of consumer electronic equipment and business equipment, which include Epson, OKI and Neopost.

The Group's Jolimark branded products include SDM printers, LED colour printers, mini printers, tax control printers, anti-fraud invoice printers (VAT invoice) and other tax control equipment. The Group's Jolimark branded products are applicable to users in various industries, including government authorities and business sectors such as the banking, finance and medical healthcare sectors.

With respect to LED colour printers, as the Group did not have the necessary skill and technology in manufacturing LED colour printers and given the Group's relatively low sales volume of LED colour printers, the Directors considered it not justifiable to make investment in this area to develop such skill and technology for manufacturing such products and therefore subcontracts the production of LED colour printers to a printer manufacturer which is an Independent Third Party. Apart from LED colour printers, the Group does not subcontract any other products to independent manufacturers for production.

According to the data issued in April 2005 by IDC, Jolimark branded SDM printers was ranked the largest among domestic brands and the fourth largest brand of SDM printers in the PRC in terms of unit shipment and accounted for approximately 8.3% of the total SDM printers shipments in the PRC during 2004. In 2003, Kongyue Jolimark was awarded the "Twenty Years Reliable Brand PRC Computer Users" (中國計算機用戶二十年信賴品牌) by the China Computer Users Association for its SDM printers and LED colour printers. In 2004, the Group was also elected one of the top 100 suppliers in the PRC computer industry in the Top 500 Computer Companies Election by Computer Partner World (電腦商報), a PRC trade magazine.

With over 15 years experience in distributing printers in China, the Group has established an extensive product distribution and after sales services network in the major cities in the PRC, enabling the Group to offer distribution and after sales services to its EMS/ODM/OEM customers. Due to its extensive domestic and overseas procurement network and experience, the Group is also able to extend its services into the area of supply chain management. In addition, the Group has a research and development team which comprises mostly of staff with background in various engineering disciplines to carry out product design functions for enhancing product quality and expanding the Group's product mix. The Group also plans to seek strategic partnership with overseas design houses to strengthen its product development capability as it seeks to broaden its EMS/ODM/OEM customer base.

As part of its strategy to expand its business by broadening its own branded product mix, the Group seeks to expand its own branded product range to include digital display products through its 65% owned subsidiary, Phenix Digital. Trial production of Phenix Digital commenced in May 2005. Commencement of production is expected to take place in the third quarter of 2005.

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STRENGTHS OF THE GROUP

The Group considers that its achievements are principally attributable to the following competitive strengths of the Group:

- **The Group is an established manufacturer of SDM printers and tax control equipment in the PRC**

Being one of the leading manufacturers of SDM printers in the PRC, the Group (together with its management) has over 15 years and 9 years of experience in distributing and manufacturing SDM printers in the PRC respectively. Currently, the Group is engaged in the design, manufacture and sale of its own branded SDM printers and in the provision of EMS/ODM/OEM services to other providers of SDM printers.

Leveraging on the Group's expertise in manufacturing SDM printers and sizeable production facilities in Jiangmen, the Group expanded its product range in 2000 to include tax control equipment when it produced its first anti-fraud invoice printers (VAT invoice). Jolimark branded anti-fraud invoice printers (VAT invoice) was ranked the largest among domestic brands and the second largest brand of anti-fraud invoice printers (VAT invoice) in China in terms of unit shipment in 2004, according to the CCW Research.

- **The Jolimark brand is well recognised in the PRC**

According to the data issued in April 2005 by IDC, Jolimark branded SDM printers was ranked the largest among domestic brands and the fourth largest brand of SDM printers in China in terms of unit shipment and accounted for approximately 8.3% of the total SDM printers shipments in China during 2004.

On 25th March, 2003, Kongyue Jolimark was awarded the "Twenty Years Reliable Brand PRC Computer Users" (中國計算機用戶二十年信賴品牌) by the China Computer Users Association for its SDM and LED colour printers. The Directors consider that brand recognition, once established, would facilitate distribution and sales of the Group's own branded products. At the same time, the overall increase in profile of the Group through the promotion of its own branded products could also help the Group to develop further its EMS/ODM/OEM business.

In 2004, Kongyue Jolimark was also elected one of the top 100 suppliers in the PRC computer industry in the Top 500 Computer Companies Election by Computer Partner World (電腦商報), a PRC trade magazine.

The Jolimark brand has been successful in securing recognition from government authorities and the Group has been bidding for government procurement tenders. For example, the Group was accepted as one of the approved suppliers of SDM printers and LED colour printers for the government procurement program coordinated by the China Government Procurement Network (中國政府採購網) in 2003 and 2004 under its own brand.

- **The Group has an extensive product distribution and after sales services network in the PRC**

The Group has established branches in major cities/provinces in the PRC, including Beijing, Guangzhou, Shanghai, Shenyang, Wuhan, Chengdu, Xian, Hunan and Nanning, which are responsible for liaising with and managing distributors and serve as after sales centres. The Group had a network

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of authorised distributors covering all provinces in the PRC (except Xizang Autonomous Region), as at 30th April, 2005. The Group also had, as at the same date, a network of over 146 after sales service centres covering about 20 provinces, 4 autonomous regions and 4 municipalities in the PRC. While the Group's distribution and after sales services network primarily deals with Jolimark branded products, the network could also service products of the Group's EMS/ODM/OEM customers, if required. The Directors believe that this network significantly enhances the Group's ability to develop into a full EMS/ODM/OEM service provider.

- **The Group is capable of providing supply chain management, product development, distribution and after sales services**

The Group currently manages its own supply procurement and also provides procurement services to certain of its customers. In addition, the Group possesses its own design and manufacturing capabilities. For example, the Group has helped to develop and manufacture certain printers for some international brand owners which are Independent Third Parties. The Group has also designed and manufactured tax control ECRs for an Independent Third Party. As the Group also has a strong distribution and after sales services network, the Directors believe that the Group is well placed to provide full EMS services to its customers.

- **The Group has a strong international EMS/ODM/OEM customer base and maintains a balanced EMS/ODM/OEM and its own branded Jolimark business mix**

During the Track Record Period, the Group has produced business equipment and other electronic products for international brand owners such as Epson, Seiko Precision, OKI and Neopost. With the establishment of the subsidiary AUI in Japan in June 2004, the Group will seek cooperation with medium sized companies in Asia which plan to outsource their manufacturing process to manufacturers in the PRC. At the same time, the continued development of the Group's Jolimark business could help the Group diversify its sources of revenue without compromising its EMS/ODM/OEM sales, and allow the Group to benefit from increased economies of scale and help improve cost efficiency and overall profitability. The Group's Jolimark business contributed to approximately 55.5% of the gross profit of the Group for the year ended 31st December, 2004 while approximately 33.2% and 11.3% of the Group's gross profit was attributable by EMS/ODM/OEM businesses and the sale of Epson branded SDM printers respectively.

- **The Group enjoys the “first mover” advantage in the production of tax control equipment**

Following the promulgation of the “Golden Tax Project” by the PRC government in 1994, the Group started to develop tax control equipment in 1999. Kongyue Jolimark was also one of the 28 members who was appointed in 2002 to the Tax Control ECR Standards Working Group (稅控收款機標準工作組) which was established under the MII and tasked with the drafting of national standards for tax control ECRs. The Directors believe that with its early participation in the market of tax control equipment, the Group would be able to attract quality distributors and end users for its tax control equipment.

The Group also has the capability of providing full manufacturing solutions for tax control equipment, as it possesses the production capacity for PCBA, SDM printers and mini printers, as well as ECRs. Furthermore, the Group is able to integrate production with direct material supply management and distribution capabilities. On the supply side, the Group could source key components from its suppliers including the Connected Suppliers. At the distribution end, the Group has established an extensive distribution network in the PRC and has over 134 distributors for tax control

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equipment in 23 provinces/autonomous regions in the PRC as at 30th April, 2005. In this way the Directors believe that the Group is well positioned to become a major provider of tax control equipment in the PRC.

- **The Company's management team has in-depth knowledge and experience in the business equipment and tax control equipment market in the PRC**

The senior management team of the Group has in-depth knowledge in the production and sales of the business equipment and tax control equipment in the PRC. The education background and working experience of the Directors and senior management of the Group are described in detail in the "Directors, senior management and staff" section of this prospectus. Through its Directors and senior management, the Group has accumulated considerable depth of experience and expertise in the manufacture and distribution of business equipment, in particular, SDM printers, and tax control equipment in the PRC. The Directors believe that such experience and knowledge of the industry bolsters the Group's ability to expand its business and to compete effectively in the market for its existing products.

RELATIONSHIP WITH EPSON GROUP

Epson Group is a major customer of the Group. For each of the three years ended 31st December, 2004, Epson Group was the Group's single largest customer, accounting for approximately 34.0%, 34.0% and 31.6%, respectively of the Group's turnover. It is also a major supplier of the Group. During each of the three years ended 31st December, 2004, Epson Group accounted for approximately 33.3%, 47.9% and 56.9% of the total purchases made by the Group, respectively. During the Track Record Period, the Group produced PCBAs, SDM printers and LCD projectors on an OEM basis for sale to Epson and provided distribution and after sales services in respect of those Epson branded SDM printers it manufactured and sold for Epson. The Group also distributed and continues to distribute Epson branded SDM printers procured by the Group from Epson. In connection with its OEM manufacturing services for Epson, the Group is required to source certain types of Epson licensed components including SDM printer heads and projector lenses from members of the Epson Group. The Group has since 2004 ceased to produce SDM printers for Epson on an OEM basis. It continues, however, to distribute Epson branded SDM printers through its distribution network.

GROSS PROFIT MARGIN

The gross profit margin of (i) the sales of business equipment and tax control equipment under Jolimark brand decreased from approximately 38.8% for the year ended 31st December, 2002 to approximately 31.0% for the year ended 31st December, 2004; (ii) the sales of Epson branded SDM printers decreased from approximately 16.5% for the year ended 31st December, 2002 to approximately 7.2% for the year ended 31st December, 2004; and (iii) the EMS/ODM/OEM businesses decreased from approximately 16.3% for the year ended 31st December, 2002 to 11.6% for the year ended 31st December, 2004. Whilst there were fluctuations over the gross profit margins of different types of business activities of the Group during the Track Record Period, the overall gross profit of the Group's business activities during the Track Record Period decreased from approximately 20.1% in 2002 to approximately 16.1% during the year ended 31st December, 2004. Please see the subsection headed "Turnover mix" in the "Financial Information" section of the Prospectus.

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The Directors consider it to be common in the business equipment and tax control equipment sectors that the profit margin of a product decreases with the increase in popularity of that product over the years. In order to maintain the profit margin and to strengthen the competitiveness of the Group, the Group has established a research and development team to carry out product design for enhancing product quality and expanding the product mix of the Group.

DIVIDEND AND DIVIDEND POLICY

For each of the three years ended 31st December, 2004, certain companies now comprising the Group declared, in aggregate, dividends totalling approximately RMB108.3 million, RMB69.0 million and RMB92.3 million respectively, to their respective shareholders except the minority shareholders which represented 61.7%, 67.9% and 81.6% respectively of the retained earnings and other distributable reserve before dividends of the Group during the respective year. The dividends were paid as the relevant companies had sufficient profits and reserves for that purpose. The reason for declaring such amount of dividends was to provide a return to shareholders for their investment in the relevant companies. For details of the dividend and dividend policy of the Group, please see the subsection headed “Dividend and dividend policy” in the “Financial Information” section.

BUSINESS STRATEGIES

“Golden Tax Project” is a nationwide project for the computerisation of the tax collection system in the PRC. In addition to the “Golden Tax Project”, the PRC government has launched a series of separate E-government infrastructure initiatives which aim at developing an information economy and building administrative capabilities (such initiatives and the “Golden Tax Project” are collectively known as the “Twelve Gold Projects”). The “Twelve Gold Projects” cover the whole range of IT systems for intra-government communications, education, health care and medical research, and agriculture.

The Directors consider that the implementation of the “Twelve Gold Projects” will prompt the replacement of handwritten records by the usage of computerised information systems, in turn, more hardcopy documents, including computerised reports and multi-part forms, will be printed by computer printers in both governmental and commercial sectors. Such reports and forms are often required to be printed in multi-part forms and multiple sheets in a single pass for which the use of SDM printers are required. Therefore, the implementation of the “Twelve Gold Projects” is expected to lead to an increase in demand for SDM printers in both governmental and commercial sectors in the PRC.

The implementation of “Golden Tax Project” in China since 1994 not only has directly stimulated the demand for SDM printers in the governmental and commercial sectors in China, it has also created a sizeable market for a range of tax control equipment, including tax control ECRs, mini printers, external tax control device, anti-fraud invoice printers (business tax invoice) and anti-fraud invoice printers (VAT invoice).

According to CCW Research, the accumulated sales of tax control equipment in the PRC between 2005 and 2011 will reach approximately RMB57.9 billion. The Directors believe that the Group, by virtue of its high brand recognition, well-established production capacity and distribution network, and solid relationship with major customers and suppliers in the PRC and overseas, is now well positioned to capture the sizeable business opportunities arising from the implementation of the “Golden Tax Project” and the “Twelve Gold Projects”.

Regarding the EMS/ODM/OEM business, the Directors believe that competition in the PRC is intense because of low entry barrier. However, amid the trend of globalisation, the cost advantages of the PRC have attracted substantial foreign companies to outsource its manufacturing activities to the manufacturers in the

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PRC. In order to maintain the competitiveness of the Group and sustain its profitability, the Group is not only able to offer manufacturing services to customers, but also to provide a range of value-added services, including direct material procurement, sales distribution and after-service services. The Directors believe there is a sizeable unexplored outsourcing market in the developed countries. To strengthen its position as a key EMS/ODM/OEM services provider, the Group intends to strengthen its effort in developing the outsourcing market and to target to medium-sized companies in developed countries including Japan, US and Europe which wish to outsource their manufacturing operations to the PRC to achieve cost reduction and/or to enter the PRC market.

To achieve the above business objectives, the Group has formulated the following major business strategies:

- **Enhancing brand recognition of the Group's own branded products in the PRC**

Customers of the Group's Jolimark branded products include both distributors and end users (mainly those in commercial sectors and the government/state-owned sectors). In order to approach these users, the Group's marketing strategy aims both directly at the end users and at distributors. To enhance brand recognition, the Group places outdoor advertisements, participates in seminars targeted at different customer groups to promote their products and offers free trials. Where appropriate, the Group provides on-site training courses for end-users. The Group also organises conventions for its existing distributors and end users, to introduce new products to its distributors and end users.

In order to further enhance the Group's brand recognition, the Group plans to employ marketing experts to help promote the Group's own branded products. It will seek to appoint a professional public relations consultant in the year commencing from the Listing Date to assist the Group in formulating plans for and coordinating the following:

- (i) advertisement and promotion of Jolimark branded products in the PRC through bill boards, advertisements in newspapers and trade magazines and attending trade shows and exhibitions
- (ii) arrangement of periodic seminars for end users of business equipment and tax control equipment
- (iii) provision of training sessions for distributors of the Group.

- **Expanding its sales and distribution network in the PRC**

The distribution of Jolimark branded products is now channelled through the Group's core distributors, general distributors or tax control equipment distributors (as the case may be) throughout the PRC. The Group directly enters into distribution contracts with its distributors and its distribution network for Jolimark branded products is now managed by the nine branches of Kongyue Jolimark in the PRC.

In order to expand its current distribution network for Jolimark branded products, the Group plans to build up a network of retail outlets by setting up approximately 300 nation-wide specialty counters, specialty shops and flagship stores for Jolimark branded products including tax control equipment by the end of 2006. This may be done through franchising arrangements with its core and general distributors. The distributors will be selected based on their experience and track record in retail business and they will be required to operate the specialty shops within guidelines and specifications prescribed by the Group, such as those which relate to the location and internal

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decoration of such shops. The Group also intends to provide regular training to the sales staff of these specialty counters, shops or stores. The Directors believe that the setting up of specialty counters, shops and flagship stores for the sale of its own branded products could more effectively promote the Jolimark brand.

- **Developing overseas EMS/ODM/OEM business**

The Group aims to expand its overseas client base in developed countries where the labour cost and overheads are high. The Directors believe that high labour cost and operating overhead in developed countries have prompted companies to seek to shift all or part of their manufacturing operations to the PRC to the extent they perceive costs saving could be achieved in doing so. In addition the Directors believe that with the economic growth in the PRC, the PRC has become a sizeable market for electronic products. This in turn may also attract overseas electronic companies to establish manufacturing facilities in the PRC. In light of this, the Group seeks to target companies in the US, Europe, South Korea, Japan and Singapore, especially medium sized companies, which wish to outsource their manufacturing operations to the PRC and to expand their market in or to the PRC. The Group's plans to further develop its EMS/ODM/OEM business include the following:

- establishing a new business development team for overseas EMS/ODM/OEM business, in connection with which, the Group plans to employ within the second half 2005, approximately 10 more employees including 2 senior executives to be dedicated to managing EMS/ODM/OEM projects and developing further EMS/ODM/OEM businesses
- appointing manufacturer representatives in the USA, Europe and South Korea on a retainer basis to approach potential medium sized corporate clients
- establishing in 2005 overseas offices in Singapore, Japan and Hong Kong, intended ultimately to operate as profit centres, to develop its overseas EMS/ODM/OEM client base each with its own staff
- increasing its participation in overseas trade shows, exhibitions, industry seminars and advertising to enhance the Group's profile as a provider of EMS/ODM/OEM services.

- **Strengthening the Group's capability in research and development**

To maintain the cost advantage of the Group's products and broaden the Group's product mix, the Group aims to increase its effort in strengthening the Group's capacity in research and development. The Group's plan in this regard includes the following:

- strengthening its research and development team by employing approximately 4 additional senior executives and recruiting about 30 technical staff
- strengthening its capabilities in product development and manufacturing technologies through technology transfer or joint development arrangements with design houses in Japan and South Korea for product design, product commercialisation and mass production technology. Areas on which the Group intends to focus include the following:
 - (i) projector optical engine for digital display products
 - (ii) ink jet, thermal and SDM mini printer mechanisms

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(iii) printer head manufacturing technology.

Currently, the Group is in preliminary negotiations with two prospective vendors with respect to the possible acquisitions of manufacturing technology for 24-pin SDM printer-heads from them. Save for the above, the Group has not identified other technical know-how for acquisition.

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

Reasons for the Share Offer

The Directors believe that the listing of the Shares on the Main Board will enhance the corporate profile of the Group. In addition, the Directors expect the net proceeds from the Share Offer to provide funding for the implementation of the Group's future plans, as set out in the section headed "Future plans and use of proceeds" of this prospectus.

Use of proceeds

Assuming the Share Offer becomes unconditional and the Over-allotment Option is not exercised, the net proceeds of the Share Offer, after deduction of related expenses payable by the Company, are estimated to be approximately HK\$120.0 million. The Directors at present intend to apply the net proceeds as follows:

- up to approximately HK\$35 million for strengthening the Group's marketing and promotional activities in the PRC and overseas markets and enhancing brand recognition of the Group's own branded products in the PRC over the 12 months period after the Listing Date;
- up to approximately HK\$35 million for strengthening the Group's capability in research and development. The amount is intended to be used primarily for the acquisition of technical know-how in product development and manufacturing technologies for certain core components of the Group's products, including printers and tax control equipment, through technology transfer and/or joint development arrangements;
- up to approximately HK\$20 million for potential acquisition of companies engaged in business equipment, tax control equipment and related business (in respect of which the Company has not yet as at the Latest Practicable Date identified any acquisition target);
- up to approximately HK\$15 million for expanding its sales and distribution network in the PRC in the two years after the Listing Date;
- up to approximately HK\$10 million for developing overseas EMS business over the 12 months period after Listing. The amount will primarily be used for (1) the establishment of a larger business development team for overseas EMS business; (2) the establishment of overseas sales offices in Singapore, Hong Kong and Japan; and (3) the appointment of sales agents in US, Europe and Korea; and
- up to approximately HK\$5.0 million used as capital expenditure relating to the acquisition of new machinery and equipment for the development and production of new products and for the enhancement and expansion of the Group's production capacity.

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Should the Over-allotment Option be exercised in full, the Company will receive additional net proceeds of approximately HK\$20.0 million. The Group currently intends to use such additional net proceeds evenly for (1) additional general working capital and (2) the potential acquisition of business equipment, tax control equipment and related business and/or technical know-how in product development and manufacturing technologies.

To the extent that the net proceeds of the Share Offer are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds be placed on short term deposits with financial institutions and/or licensed banks in Hong Kong or be used as general working capital of the Group.

TRADING RECORD

The following table is a summary of the audited combined results of the Group for each of the three years ended 31st December, 2004. The summary is extracted from, and should be read in conjunction with, the accountants' report, the text of which is set out in Appendix I to this prospectus and has been prepared on the basis that the existing structure of the Group had been in place throughout the Track Record Period, or since their respective dates of incorporation/establishment or effective date of acquisition, whichever is the shorter period:

	Year ended 31st December,		
	2002	2003	2004
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	565,923	814,127	965,972
Cost of sales	<u>(452,172)</u>	<u>(673,722)</u>	<u>(810,959)</u>
Gross profit	113,751	140,405	155,013
Other revenues	3,928	7,207	5,243
Distribution costs	(15,242)	(22,919)	(24,322)
Administrative expenses	<u>(23,790)</u>	<u>(30,587)</u>	<u>(30,691)</u>
Operating profit	78,647	94,106	105,243
Finance costs	(602)	(1,887)	(3,979)
Share of losses of associated companies	<u>(46)</u>	<u>(26)</u>	<u>(1,373)</u>
Profit before taxation	77,999	92,193	99,891
Taxation	<u>(3,340)</u>	<u>(12,088)</u>	<u>(12,590)</u>
Profit after taxation	74,659	80,105	87,301
Minority interests	<u>(6,440)</u>	<u>(2,625)</u>	<u>(1,076)</u>
Profit for the year	<u><u>68,219</u></u>	<u><u>77,480</u></u>	<u><u>86,225</u></u>
Dividends	<u><u>108,328</u></u>	<u><u>69,000</u></u>	<u><u>92,275</u></u>

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OFFER STATISTICS

Offer Price	HK\$1.14
Market capitalisation	HK\$570 million
Unaudited pro forma adjusted net tangible asset value per Share ^(Note 2)	HK\$0.59

Notes:

- (1) Except where otherwise indicated, the offer statistics have been prepared on the assumption that the Over-allotment Option will not be exercised.
- (2) The unaudited pro forma adjusted net tangible asset value per Share is arrived at after making the adjustments referred to in the paragraph headed “Unaudited pro forma adjusted net tangible assets” in Appendix II to this prospectus and based on a total of 500,000,000 Shares in issue or expected to be issued immediately following the completion of the Share Offer.

RISK FACTORS

The operations of the Group involve certain risks, a summary of which is set out in the section headed “Risk Factors” of this prospectus. Those risks can broadly be classified into (i) risks relating to the Group; (ii) risks relating to the industry; (iii) risks relating to the PRC; and (iv) risks relating to the Share Offer.

Risks relating to the Group

- Reliance on the Epson Group
- Reliance on connected persons of the Company for direct materials procurement
- Risks relating to the leasing of sole operating premises
- Reliance on a few suppliers of the Group
- Development of new products
- Viability of the Group’s tax control equipment related business
- Intellectual property protection
- Preferential treatment
- Exposure to exchange rates fluctuation
- Dividend policy
- Risks relating to the debt position of the Group
- Risks relating to negative cashflow from operating activities
- Decrease in profit margins during the Track Record Period
- Reliance on key management
- Product liability risks and material accident compensation claim risks

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- Price fluctuation of direct materials of Jolimark branded products
- Joint venture arrangements
- Competition
- Cancellations or delays in purchase orders by customers
- Leased premises in the PRC

Risks relating to the industry

- Licensing regime
- Government policy

Risks relating to the PRC

- Political structure and economic considerations
- Currency conversion and exchange rate
- Legal and other regulatory considerations

Risks relating to the Share Offer

- Liquidity and possible price volatility of the Shares