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

RISKS RELATING TO THE GROUP

Reliance on major customer

The Group has derived and may continue to derive a significant portion of the Group's revenue from a limited number of customers, including IKEA. During the Track Record Period, the Group's products were sold to a total of 8 customers with which the Group had maintained business relationships for 1 to 5 years. For each of the two years ended 31 December 2004 and the six months ended 30 June 2004 and 2005, sales to IKEA, the major customer of the Group, accounted for approximately 84%, 85% , 88% (unaudited) and 92% respectively of the Group's total turnover and approximately 98%, 89%, 98% (unaudited) and 92% respectively of the Group's sales of furnishings and home products and accessories. The Group has not entered into any long-term sales agreement with any of its customers. There is no assurance that the Group's customers, including IKEA, will continue to purchase the Group's products in the future. In the event that the Group's existing customers, including IKEA, cease to purchase or reduce substantially the amount of products they purchase from the Group in the future, the turnover and profitability of the Group will be adversely affected.

Price fluctuations of raw materials

Stainless steel is a major raw material of furnishings products manufactured by the Group. For each of the two years ended 31 December 2004 and the six months ended 30 June 2004 and 2005, purchases of stainless steel accounted for approximately 58%, 62%, 65% (unaudited) and 78% respectively of the total purchases of the Group. During the Track Record Period, stainless steel prices have experienced high fluctuations. In the event that there are high fluctuations of stainless steel prices, the cost and the gross profit margin of the Group's products may be adversely affected.

Reliance on major suppliers

For each of the two years ended 31 December 2004 and the six months ended 30 June 2004 and 2005, purchases from the five largest suppliers represented approximately 47%, 39%, 35% (unaudited) and 45% respectively of the Group's total purchases. During the same period, purchases from the largest supplier accounted for approximately 20%, 12%, 13% (unaudited) and 21% respectively of the Group's purchases. As at the Latest Practicable Date, the Group has not entered into any long term contracts with its suppliers. In the event that any of its major suppliers cease to supply to the Group and the Group is not able to find suitable replacements, the Group's production activities may be disrupted and its profitability may, therefore, be adversely affected.

Risk of relocation

The Group's office and production facilities are located in Yuyao City, Ningbo, Zhejiang Province, the PRC. Details of the land use rights and buildings ownership in relation to such office and production facilities ("Subject Premises") are set out in the valuation certificates in Appendix III to this prospectus. According to the Directors, the location of the Subject Premises may be designated as non-industrial zone ("Rezoned Location") in the near future. Although there is no concrete time frame for enforcing the rezoning policy, according to the transitional arrangement of the People's Government of Yuyao, enterprises operating in the Rezoned Location are encouraged to relocate to a new site which will be offered by the People's Government of Yuyao ("Relocation Site") with relocation compensation ("Relocation Compensation") paid by the People's Government of Yuyao. As at the Latest Practicable Date, the People's Government of Yuyao has not initiated any negotiation or agreement as to the Relocation Site and the Relocation Compensation and no time schedule or plans for such relocation has been provided by the People's Government of Yuyao. On 19 August 2005, the Group entered into a State-owned land use rights transfer agreement ("Transfer Agreement") with the Sub-Bureau of Yaobei Industrial New Zone of the Land and Resources Bureau of the Yuyao City (餘姚市國土資源局姚北工業新區分局) for the acquisition of a piece of land of 44,105 m^2 ("New Production Site") located at Yaobei Industrial New Zone of the Yuyao City for a term of 50 years commencing from the date of issue of the State-owned Land Use Rights Certificate at a consideration of RMB15,745,485 (approximately HK$14,854,231) of which RMB3,500,000 (approximately HK$3,301,887) had been paid upon the signing of the Transfer Agreement by internal resources of the Group and the remaining balance of RMB12,245,485 (approximately HK$11,552,344) will be payable by the Group within 6 months from the date of the Transfer Agreement. The Directors confirmed that the remaining balance would be partly settled by internal resources of the Group or bank financing or both and partly by the net proceeds of the Placing. The New Production Site is identified and acquired on one hand for relocation purpose and on the other hand to facilitate the expansion of production plant of the Group notwithstanding that there is no time frame for relocation.

There is no guarantee that no interruptions to production will be caused by the relocation. Further, there is no assurance that such relocation, if implemented, will not pose other adverse effects on the Group, including but not limited to the incurrence of additional financial costs. Should the Group encounter any difficulties and/or suffer any unforeseeable damages during the relocation, the Group's business and financial position may be hampered.

Reliance on key management

The success of the Group, to a significant extent, is attributable to the expertise and experience of Mr. Yan Siu Wai, Mr. Leung Kwok Yin and Mr. Bao Jisheng, the executive Directors, and Mr. Bao Xiangqian, the deputy general manager of the Group, in the areas of strategic planning, materials sourcing, product development, marketing and management. The cessation of services by any of the executive Directors or the deputy general manager in the future may adversely affect the Group's operations and business.

Nature of OEM business

For each of the two years ended 31 December 2004 and the six months ended 30 June 2004 and 2005, the Group's turnover were derived from products which were sold on an OEM basis and marketed under the brand names of another company. As the Group has no rights to make final decision on the design of its products sold on an OEM basis, any unfavourable changes in the market trend and the popularity of the relevant brands may adversely affect the Group's business, results of operation and financial position.

PRC preferential tax treatment

Under the applicable PRC tax law, regulation and notices, JF Ningbo and JF Metal have been granted tax concessions by the PRC tax authorities. In accordance with the applicable enterprise income tax law of the PRC, each of JF Ningbo and JF Metal is exempted from the PRC enterprise income tax for two years starting from the first profitable year of its operations and enjoys 50% tax deduction for the following three years. JF Ningbo's first profitable year of operation was 2001. Accordingly, JF Ningbo will cease to enjoy the above tax deduction in 2006. Thereafter, in accordance with the "Regulations encouraging foreign investments" promulgated by the State Council of the PRC, JF Ningbo, being a foreign-invested enterprise, will be able to enjoy 50% tax deduction if it exports 70% or more of the turnover of its products. For each of the two years ended 31 December 2004, the Group had exported more than 70% of the turnover of its products. However, there is no assurance that JF Ningbo will be able to maintain the export of 70% or more of the turnover of its products in the future and hence enjoy the 50% tax deduction. Moreover, if there are any adverse changes in the regulatory regime of the PRC tax regulation or the policy in granting preferential tax treatment to foreign enterprises in the PRC, the Group's business and its profitability may be adversely affected.

Dividends

The Group declared dividends of approximately HK$11 million and approximately HK$4.5 million for each of the two years ended 31 December 2004 respectively. Such dividends represented approximately 82.3% and 24.0% of the Group's net profits attributable to shareholders for the same period. There is no assurance that the Group will declare or pay dividends to its shareholders following the listing of Shares on GEM and the above mentioned dividend payments should not, therefore, be used as a reference or basis by which future dividend payments on the Shares are determined.

Historical advances to related companies and certain Directors

During the Track Record Period, the Group had been involved in certain advancing activities ("Advancing Activities") with related companies and certain Directors. Details of such advances are disclosed under the paragraph headed "Due from directors and due from related companies" in the section headed "Financial Information" of this prospectus. According to the PRC legal advisers of the Company, the advancing activities made between the Group and the related companies established in the PRC were in breach of《貸款通則》("Finance Regulations"). As advised by the PRC legal advisers, the Group is exposed to the possible penalty imposed by The People's Bank of China which suggests a fine equivalent to 1 to 5 times of the income (i.e. interests) generated from such advances, there is yet no assurance that no other scale of fine, penalty or administrative action may be imposed upon or initiated against the relevant subsidiaries of the Group for such advancing activities with related companies and certain Directors should the relevant PRC laws and regulations change in the future whereupon the Group's business operation and/or financial position may be adversely affected.

Dilution of shareholders' interests in the Company

The Group has in place the Pre-IPO Share Option Scheme under which options ("Pre-IPO Share Options") in aggregate of 20,160,000 Shares were outstanding as at the Latest Practicable Date. As at the date of this prospectus, Pre-IPO Share Options to subscribe for a total of 20,160,000 Shares (representing 48% of the total number of the Placing Shares), of which 13,440,000 Shares will be issued at the exercise price of HK$0.80 (being the lowest point of the indicative Placing Price range of HK$0.80 to HK$0.96 per Placing Share) each and 6,720,000 Shares will be issued at the exercise price of HK$0.56 each, representing no discount and a discount of 30% of the lowest point of the indicative Placing Price range respectively, including Pre-IPO Share Options to subscribe for a total of 10,752,000 Shares which have been granted to three executive Directors, Pre-IPO Share Options to subscribe for a total of 6,168,000 Shares which have been granted to four members of the senior management, Pre-IPO Share Options to subscribe for a total of 3,240,000 Shares have been granted to eight other employees of the Group. The full exercise of these Pre-IPO Share Options would result in the issue of 20,160,000 Shares, representing, in aggregate, approximately 12% of the issued shares of the Company immediately following completion of the Placing and the Capitalisation Issue (but before enlargement by the allotment and issue of the Shares pursuant to the exercise of the options granted or to be granted under any of the Share Option Schemes and assuming the Offer Size Adjustment Option is not exercised at all). Further, the Group has also in place the Post-IPO Share Option Scheme under which options may be granted after listing of the Shares. No options have been granted under the Post-IPO Share Option Scheme as at the date of this prospectus. For a description of the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, please see the paragraph headed "Share Option Schemes" in Appendix V to this prospectus. On the basis of 168,000,000 Shares in issue before the enlargement by the issue of Shares pursuant to the full exercise of the Pre-IPO Share Options, the full exercise of the options granted under the Pre-IPO Share Option Scheme would result in a dilution in the percentage shareholdings of the shareholders and may result in dilution in the net tangible assets per Share from approximately HK$0.222 to approximately HK$0.198 as at 30 June 2005.

Each of the executive Directors, Mr. Yan Siu Wai, Mr. Leung Kwok Yin and Mr. Bao Jisheng, has undertaken with the Company and the Stock Exchange that he will not exercise the Pre-IPO Share Options if the exercise of any part or parts of which will result in the drop of the public float to a level below 25% of the issued share capital of the Company from time to time.

Profit distribution from the PRC subsidiaries

The Company is an investment holding company. Substantially all of the Group's business operations are conducted through the operating subsidiaries of the Company established in the PRC. The Company's ability to pay dividends is dependent upon the earnings of its subsidiaries in the PRC and their distribution of funds to the Company, primarily in the form of dividends. The profit available for distribution of the subsidiaries established in the PRC is determined in accordance with accounting principles generally accepted in the PRC (the "PRC GAAP"), the amount of which may differ from that arrived at by adopting accounting principles generally accepted in Hong Kong (the "Hong Kong GAAP"). There is no assurance that the distributable profits of the Company's PRC subsidiaries will be comparable to the reported accounting profits under the Hong Kong GAAP. Accordingly, the Company may not have sufficient dividends from its PRC subsidiaries to realise the profit distribution to the Company's shareholders.

RISKS RELATING TO THE INDUSTRY

Competition

The furnishings and home products and accessories industry is highly competitive. The Group faces competition from manufacturers in Hong Kong and the PRC as well as from other parts of the world. Should the Group fail to maintain or improve its competitiveness, the profitability of the Group and its prospects will be adversely affected.

Environmental risks

The Group's production processes produce waste water and dust. In this connection, the Group's production is subject to the PRC environmental protection laws and regulations. However, amendment of the existing laws or regulations may impose additional requirements and the Group's compliance with such laws or regulations may require the Group to incur additional capital expenditure or subject to other obligations or liabilities, which may have a material adverse effect on the Group's business, operations and financial condition.

Statistics

Certain facts and statistics referred to and presented in the section headed "Industry overview" in this prospectus are derived from various official and unofficial sources. The official sources include the preliminary edition of OECD Economic Outlook No. 76 dated 25 November 2004, as disclosed on pages 32 and 33, the website of U.S. Bureau of Economic Analysis, as disclosed on page 33, Report FT900 published by the Bureau of Census, Foreign Trade Division of the U.S. in December 2004 and the website of U.S. Census Bureau, as disclosed on page 35 in this prospectus. The Directors believe that such official information may be useful to prospective investors and they have exercised due care to reproduce the same in this prospectus. However, such official information has not been independently verified by the Group, the Sponsor and their advisers. Therefore, neither the Group nor the Sponsor makes any representation as to the accuracy or completeness of such facts and official statistics, which may not be consistent with other information compiled within or outside Hong Kong. Accordingly, such official information should not be unduly relied upon.

RISKS RELATING TO THE PRC

Political and economic factors

The Group's operation is mainly located in the PRC. Therefore, the Group's financial performance and operations may directly or indirectly be affected by the general economic, political, legal and social conditions prevailing in the PRC.

The PRC economy is a socialist market economy which operates under annual, five and ten years plans. Over the years, the PRC Government has introduced substantial economic and political reforms. However, many laws and regulations governing economic and political matters implemented by the PRC Government are still at early development stage and their interpretation and enforcement are less certain when compared to other western countries. As the Group's existing operation is mainly in the PRC, it is subject to administrative reviews and approval by various national and local PRC Government authorities. Any changes in the economic, political and social conditions prevailing in the PRC may lead to changes in the PRC Government policies which may then affect the business and prospects of the Group.

Legal and regulatory considerations

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

Many PRC laws and regulations include broad principles and the PRC Government has gradually laid down implementation rules and has continued to refine and modify such laws and regulations. As the PRC legal system develops, the introduction of new laws or the refinement and modification of existing laws may affect foreign investors. There can be no assurance that future changes in legislation or the interpretation of legislation will not have an adverse effect upon the Group.

Exchange rate risks

Starting from 21 July 2005, the PRC has reformed the exchange rate regime by moving into a managed floating rate regime based on market supply and demand with reference to a basket of currencies. This has resulted in the Renminbi appreciating against the US dollar and the Hong Kong dollar by approximately 2%. However, the value of the Renminbi may also be changed due to the PRC government's policy and the international economic and political development. Despite such developments, the Renminbi is still not a freely convertible currency. In addition, there is no assurance that Renminbi will not become volatile against other currencies. As most of the Group's purchases of components and materials are denominated in US dollars and Renminbi and the Group's sales are principally denominated in US dollars and Renminbi, if the Group is not able to hedge effectively against Renminbi fluctuations, there is no assurance that future movements in the exchange rate of Renminbi and other currencies will not have an adverse effect on the operations and financial condition of the Group.