
RISK FACTORS

Potential investors should consider carefully all 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 Offer Shares or the Company. The occurrence of any of the following risks could have a material adverse effect on the business, results of operation, financial condition and future prospects of the Group and cause the market price of the Offer Shares to fall significantly.

RISKS RELATING TO THE GROUP AND ITS OPERATIONS

The Group's future growth relies substantially on the PRC market and may be adversely affected by changes in the PRC's economic, political and social conditions

For the three years ended 31 December 2006 and for the six months ended 30 June 2007, approximately 41.7%, 33.4%, 43.1% and 46.0% of the Group's total turnover respectively was derived from the PRC. The Group anticipates that the PRC will become the Group's largest market in the foreseeable future. The strategy of the Group involves the growth of its operations in the PRC and its such growth also depends on the business of its customers which is mostly driven by the level of consumer demand. Consumer demand is affected by changes or developments in economic and financial conditions, and social and political stability, which are outside the Group's control. Hence, the Group's PRC operations and business expansion plans are subject to not only changes or development in economics and financial conditions, social and political stability, but also additional risks, such as differences in the legal and regulatory requirements, potentially adverse tax consequences, fluctuations in currency exchange rates, and differences in legal burdens in complying with Chinese laws and regulations. Should there be any material adverse change in the political, economic, legal, regulatory and social conditions in the PRC, the Group's business and profitability may be materially and adversely affected and there can be no assurance that the Group will be able to continue to receive or retain licences or authorisations that may be required for the Group to distribute the products it currently distributes or provide its services in the PRC. In addition, the Group cannot ensure that it will be able to anticipate and manage all these risks and other risks associated with its expansion into the PRC markets, the deployment of human and financial resources in pursuit of such expansion may have a material and adverse impact on the Group. Please see "Business — Motor vehicle distribution and dealership — PRC; Business — Food and consumer products — PRC and Business — Logistics — PRC" and "Business — Competition".

The PRC economy has historically been a planned economy. The majority of the productive assets in China are still owned by various levels of the PRC government. In recent years, the government has implemented economic reform measures emphasising decentralisation, utilisation of market forces in the development of the economy and a high level of management autonomy. Such economic reform measures may be inconsistent or ineffectual, and the Group may not benefit from all such reforms. Furthermore, these measures may be adjusted or modified, possibly resulting in such economic liberalization measures being applied inconsistently from industry to industry, or across different regions of the country.

In the past twenty years, the PRC has been one of the world's fastest growing economies measured in gross domestic product, or GDP. The Group cannot assure that such growth will be sustained in the future. Moreover, a slowdown in the economies of the United States, the European Union and certain Asian countries may adversely affect economic growth in the PRC. The Group's financial condition and results of operation, as well as the Group's future prospects, would be materially and adversely affected by an economic downturn in the PRC.

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Economic growth in the PRC has also historically been accompanied by periods of high inflation. In response to concerns regarding the PRC's high rate of growth in industrial production, bank credit, fixed investment and money supply, the PRC government has taken measures to slow economic growth to a more manageable level. Among the measures that the PRC government has taken are restrictions on bank loans in certain sectors. These measures have contributed to a slowdown in economic growth in the PRC, and a reduction in demand for consumer goods, including automobiles, food and consumer products. These measures and any additional measures, including an increase in interest rates, if it occurred, could contribute to a further slowdown in the PRC economy.

In addition, the supermarket and food retail industry in the PRC has been, and is expected to continue, undergoing a trend of development and consolidation. As the food retail trade continues to consolidate and the Group's retail customers grow larger and become more sophisticated, they may demand lower pricing and increased promotional programs. Furthermore, larger customers may be better able to operate on reduced inventories and potentially develop or increase their focus on private label products. If the Group fails to maintain a good relationship with its large retail customers or maintain a wide offering of quality products, or if the Group lowers its prices or increases promotional support of its products in response to pressure from its customers and is unable to increase the volume of its products sold, the Group's profitability could decline.

A loss of distribution rights granted by the Group's principals or suppliers, or any material disputes between the Group and its principals may adversely affect the results of operations and financial condition of the Group

The Group relies on distribution rights granted by motor vehicle principals or consumer product suppliers for distribution of their products. Most of these dealership or distributorship or supply agreements are not on an exclusive basis and have an expiry date. Please see "Business — Motor vehicles and related business — Motor vehicle Distribution and Dealership", "Business — Food and consumer products — A. Food segment FMCG" and "Business — Food and consumer products — B. Consumer product segment" for more information including the expiry dates of the distributorship agreements. These distributorship contracts are generally of one to three years terms and are subject to termination by the Group or the principal with prior written notice in accordance with terms mutually agreed upon. Termination of these distribution rights, both complete or partial termination, for products currently distributed by the Group, could materially and adversely affect the Group's business operations and financial performance. Such termination could stem from, among others, the disagreement on the gap between sales targets and actual achievements, disputes on advertising and promotion expenses or a change in business strategies. There can be no assurance that its supplier will not terminate these distribution rights in the future. The Group may also be unable to obtain or renew these dealership or distributorship or supply agreements on commercially acceptable terms and may not be able to continue to distribute these products after the expiry date.

In particular, for the Group's motor vehicle distribution business, it may be possible for the motor vehicle principals to set up their subsidiaries to carry out importation and distribution directly or to appoint such other dealers who compete directly with the Group. On 27 August 2007, the Volkswagen Group terminated the Importer Contract executed in February 1990 with one of the members of the Group distributing Volkswagen motor vehicles in Hong Kong and Macao, and the Group will be required to cease all motor distribution business in relation to such brand in Hong Kong and Macao starting from 27 August 2008. Although the Group is currently in discussion with the Volkswagen Group for mutually agreed transitional arrangements and other forms of cooperation after the termination, including the provision by the Group of continuous product guaranty or after-sale services for its existing customers in a view to minimize the adverse impact on the brand and the Group's motor distribution business relating to the brand, there is no assurance that the consensus of such arrangement will be reached in time or at all. The failure to reach such consensus, or the potential loss of customers and business derived from such termination, may have an adverse affect on the Group's business operation and results of operation. In addition, for the Group's motor

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vehicle distribution and dealership business in the PRC, some of the Group's 4S outlet operators do not enter into written distribution or dealership agreements with motor vehicle principals or their designated agents and are distributing motor vehicles based on such motor vehicle principals or their designated agents' internal quota allocation systems, and therefore such 4S outlet operators may easily lose the supply of motor vehicles as determined by motor vehicle principals or their designated agents unilaterally.

It is also possible that one of the Group's principals may suffer financial or other difficulties, adversely affecting its ability to continue to perform its obligations under the relevant dealership or distributorship agreements or other contracts with the Company or other members of the Group, which in turn could have an adverse effect on the business of the Group. In addition, there may be a material dispute between the Group and a principal or supplier in connection with the performance of a party's obligations or the scope of a party's responsibilities under the relevant dealership or distributorship or supply agreements with its motor vehicle principals or consumer product supplier.

If any of the above happens, the business and operations of the Group may suffer, and the dealership or distributorship agreements may even be terminated by mutual consent of the parties, unilaterally or as a result of a material breach by one of them.

The Group depends on major customers, especially the Group's logistics business which depends on its five largest customers in its logistics segment, for a significant portion of its business and the loss of any of such customers could materially and adversely affect the Group's business and financial position

A significant portion of the Group's revenue has been and is expected to continue to be, derived from a limited number of customers.

For the three years ended 31 December 2006 and the six months ended 30 June 2007:

- (a) total turnover attributable to the Group's five largest customers for its motor vehicle business accounted for approximately 14.5%, 4.5%, 9.3% and 13.0% of the Group's total motor vehicle sales turnover respectively;
- (b) total turnover attributable to the Group's five largest customers for its food and consumer products business accounted for approximately 8.9%, 10.5%, 10.8% and 11.5% of the Group's total food and consumer products sales turnover respectively; and
- (c) total turnover attributable to the Group's five largest customers for its logistics business accounted for approximately 41.2%, 43.1%, 44.4% and 42.5% of the Group's total logistics sales turnover respectively.

Most of these customers are supermarkets and retailers for food, consumer products and logistics businesses and governmental department and corporations for motor vehicle business. The Group does not enter into long term contracts with most of these customers. There can be no assurance that the Group's major customers will continue to use the Group's services. In the event that any of these customers cease to purchase products distributed by the Group or use the services provided by the Group and the Group fails to replace such customers, the Group's business and financial position may be materially and adversely affected.

The Group is subject to credit risk in respect of account receivables

The Group provides credit periods to its food business customers which are calculated from the dates the invoices are issued by the Group to the dates when payment is due from the customers. Such credit periods generally range from 15 to 90 days depending on the credit status of the customers. Further, the Group may offer an extended credit term to customers who have good paying records.

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The Group cannot assure that its credit control policies and measures are adequate to protect the Group against material credit risks and the Group may not always have sufficient information to avoid a bad debt from a previously reliable customer. The Group may supply products or provide services to customers who do not provide sufficient deposits, advance payments or bank guarantees for the purchase of the Group's products or services. Any delay in the payment by customers may also adversely affect the Group's operation and financial position. The Group may have to sustain legal costs in pursuing unsettled invoices, a process which is time-consuming and may be affected by a variety of factors including any counterclaim from the non-paying customers. Even if the Group obtains favourable judgments, enforcement of such judgments may take time and may not always result in full recovery.

The Group may need additional capital in the future which may not be available on acceptable terms

The Group spends a significant amount of cash in its operations, principally to fund the procurement of the products the Group distributes. The Group's suppliers, in particular, a majority of the suppliers of raw meat, poultry, seafood and motor vehicles, typically require payment in full within 7 to 30 days after delivery, although some of the Group's suppliers provide it with credit. In turn, the Group typically requires its customers to make payment in full on delivery, although the Group offers some of its long-standing customers credit terms.

In addition, the Group may require additional capital in the future to fund its operations, finance investments in equipment or infrastructure, or respond to competitive pressures or strategic opportunities. The Group has historically relied on cashflow generated from operations as well as financial support provided from its ultimate shareholder, CITIC Pacific, to fund its operation, especially for the Group's business expansion in the PRC. In addition, the Group leases some of the properties for its business operations from CITIC Pacific. Upon completion of the Global Offering and the proposed listing of the Company, there can be no assurance that the historical support from its shareholders will continue or on terms as favourable as those previously provided. In such circumstances, the Group will rely more on external financing and it cannot be certain that such financing will be available on terms favourable to it, or at all. Further, the terms of available financing may place limits on the Group's financial and operations flexibility. If the Group is unable to obtain sufficient capital in the future, the Group may face the following risks:

- not being able to continue to meet customers' demands for the choices of products, service quality, capacity and competitive pricing;
- not being able to expand its capacity or operations, or acquire complementary businesses;
- not being able to introduce new products or develop new services or otherwise respond competitively to changing business conditions; and
- being forced to reduce its operations.

Dividend declared and dividend policy immediately prior to Listing not indicative of future dividends

For the three years ended 31 December 2006, the Company declared or paid approximately HK\$138.8 million every year. In addition, an interim dividend of approximately HK\$900 million was declared and paid before the Listing Date to its controlling shareholders. In determining the amount of the above interim dividend, the Directors have taken into account the level of the Group's retained earnings, the expected cash flow and the Group's assets and liabilities and consider that the size of such dividend is approximately HK\$900 million and the size of the Global Offering is approximately HK\$5,281.4 million assuming an Offer Price of HK\$5.88 and the full exercise of the Over-allotment Option. HK\$800 million of such interim dividend was financed partly by new bank borrowings comprising two 3-year unsecured term loans and

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four 3-year unsecured revolving credit facilities. This results in an increase in the Group's net gearing ratio from approximately 2% to approximately 25% and the interest costs may have an effect on the Group's future cashflows and operating profits and hence may affect the Company's ability to pay dividends to its shareholders.

Subject to the availability of the Company's cash and distributable reserves, the Group's investment requirements, and the Group's cashflow and working capital requirements, the Directors currently intend to declare and recommend dividends which would amount to not less than 30% of the net profit, if any, from ordinary activities for the first financial year subsequent to the Global Offering. The 2006 dividends and the above intention do not amount to any guarantee or representation or indication that the Company must or will declare and pay dividends in such manner in the future or declare and pay any dividend at all. Particulars of the dividend policy to be adopted by the Group following the Listing are set out in "Financial information — Dividend, working capital and distributable reserves" of this Prospectus.

There can be no assurance and in fact it is not expected that the amount of dividends declared by the Company in the future, if any, will be at the level declared and paid by the Company immediately prior to Listing.

The loss of any key members of the management team may impair the Group's ability to identify and secure new contracts with customers or otherwise manage its business effectively

The Group's success depends on, in part, the continued contributions of its senior management. Most of them have over 20 years' experience in the international trading and distribution business with in-depth knowledge of various aspects of consumer market development. Mr. Hui Ying Bun, the Chairman of the Company, Mr. Chu Hon Fai, the Deputy Chairman of the Company, and Mr. Yip Moon Tong, the Chief Executive Officer of the Company, have been appointed by the Board to oversee and supervise the strategic direction and overall performance of the Group.

The Group relies on its senior management to manage its business successfully. In addition, the relationships and reputation that members of the Group's management team have established and maintained with its customers contribute to the Group's ability to maintain good customer relations, which is important to the direct selling strategy that the Group adopts. Employment contracts entered into between the Group and its senior management cannot prevent its senior management from terminating their employment. Hence, the resignation of Mr. Hui, Mr. Chu, Mr. Yip or any other member of the Group's senior management may impair the Group's ability to maintain business growth and identify and develop new business opportunities or otherwise to manage its business effectively.

The Group's operations are dependent on its IT system and the Group relies on sophisticated billing and credit control systems, and any problems with these systems could interrupt the Group's operations

The Group's integrated-distribution and logistics business cannot be managed effectively without leveraging on an integrated and regional IT system. Accordingly, the Group runs various "real time" IT management systems for its motor vehicle, food and consumer products and logistics businesses. These systems include DCH Motor System for its motor vehicle business, Oracle ERP System for its food and consumer products business and Sims Logistics System for its logistics business. The Group's operations are heavily dependent on its IT system to enable it to manage its sales and services effectively from sales order taking to the delivery of goods.

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In addition, sophisticated billing and credit control systems are critical to the Group's ability to increase revenue streams, avoid revenue loss and potential credit problems, and bill customers in a proper and timely manner. If adequate billing and credit control systems and programmes are unavailable, or if upgrades are delayed or not introduced in a timely manner, or if the Group is unable to integrate such systems and software programmes into its billing and credit systems, the Group may experience delayed billing which may negatively affect the Group's cash flow and other aspects of its operations.

In case of a failure of the Group's data storage/system, the Group may lose mission critical operational or billing data or important email correspondence with its customers and suppliers. Any mission critical data stored in the core data centre may be lost if there is a lapse or failure of the disaster recovery system in backing up these data, or if the periodic offline backup is insufficient in frequency or scope. An interruption or breakdown in the Group's IT system may have a material adverse effect on its business, financial conditions and results of operations due to disruption of its operations.

The Group has not registered some of the intellectual property rights in relation to the products it distributes and supplies, and any unauthorised use, infringement or misappropriation of such rights by third parties may adversely affect the Group's business

The Group has developed a number of trademarks. While under Hong Kong law, copyright arises without the need of its owner to register his copyright, intellectual property rights such as patents and trademarks must be registered with the relevant governmental authority in Hong Kong before a person or entity can become its registered owner, and hence be protected by the relevant intellectual property laws. While unregistered common law rights may be acquired through use of trademarks (protected under the law of passing off) in Hong Kong, the registration of trademarks enables the Group to more effectively enforce its rights against unauthorised use, infringement or misappropriation of such rights. The Group has registered some but not all of its trademarks. The absence of registration for the intellectual property rights that the Group may have over its trademarks exposes the Group to the possible unauthorised use, infringement or misappropriation of its marks. This may result in the revenue-generating intellectual property being used and developed by third parties for their own business purposes and the Group's business may therefore be adversely affected. In China, the registration of trademarks is necessary before the Group can enforce its trademark registration against third parties. A few of the Group's trademarks are pending registration in the PRC and will not be protected until registration is granted.

The Group may not be able to sustain its existing sales margins

The Group purchases the products it distributes from its principals or suppliers. These products include food commodities including meat, poultry, seafood, rice, edible oils and FMCG products, consumer products including electrical appliances and cosmetics as well as motor vehicles. The price of the food commodities is subject to fluctuations which are attributable to a number of factors, such as the price of animal feed, diseases and infections. Similarly, the Group's logistics customers, who are mainly sizeable international corporations, may have strong bargaining power over the price for the Group's logistics services as quoted by the Group. In addition, the Group's competitors and customers may cause the Group to reduce the prices it charges for the products it distributes and services it renders which could adversely affect its profitability and cash flow. The primary sources of pricing pressure include:

- competitors offering competing products or services at reduced prices, or bundling and pricing services in a manner which makes it difficult for the Group to compete;
- customers with a significant volume of transactions may have enhanced leverage in pricing negotiations with the Group; and

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- if the prices of the Group's services are too high, potential customers may find it more cost effective to handle certain functions in-house instead of using the Group's services.

If the costs of goods sold of the Group's products increase further or are not adjusted down correspondingly to market conditions, there is a risk that the Group is required to accept a lower profit margin, due to the competitive nature of the industry in which the Group operates. The Group is not able to entirely offset these increases by raising prices of its products to keep market share or lower inventory. Any change in the profit margin not anticipated by the Group could adversely and materially affect the Group's business, results of operations and financial condition.

The Group is subject to PRC laws and regulations governing social security funds and housing accumulation funds and the failure to comply with the relevant laws and regulations may adversely affect the Group's business

The Group is subject to PRC laws and regulations governing the relationship with the employees including the regulations governing 社會保險金 (social security funds) and 住房公積金 (housing accumulation funds).

PRC Social Security Funds

Under 《社會保險費征繳暫行條例》 (Interim Regulation on the Collection and Payment of Social Security Funds), the Group is required to pay various social security funds, namely, basic pension insurance (基本養老保險), unemployment insurance (失業保險), basic medical insurance (基本醫療保險), occupational injury insurance (工傷保險), and insurance for maternity leave (生育保險) for employees to the relevant administrative authorities.

Any employer who fails to pay insurance for maternity leave may be ordered by the relevant governmental authorities to make good such payments within a stipulated time limit, and may be liable to a 0.2% daily fine. Any employer in Yunnan Province who fails to pay unemployment insurance may be imposed by the relevant governmental authorities a fine of up to RMB20,000. The Group underpaid social security funds by approximately RMB4,096, RMB40,903, RMB87,045 and RMB47,047 for each of the three financial years ended 31 December 2006 and the six months ended 30 June 2007 respectively for various reasons. Total exposure of the Group in penalties accrued to 30 June 2007 in respect of such failure is estimated as of the Latest Practicable Date to be up to RMB133,364. The Group has not in the past faced any challenge by any governmental authorities over the outstanding social security funds. However, there can be no assurance that the relevant governmental authorities will not challenge the outstanding funds and impose a fine in the future.

The Selling Shareholder, CITIC Pacific, has provided an indemnity in favour of the Group to cover any losses, damages, claims or penalties that the Group may suffer or incur in relation to the Group's failure to pay social security funds as mentioned above.

PRC Housing Accumulation Funds

Under 《住房公積金管理條例》 (Regulation on the Administration of Housing Accumulation Funds), an employer is obliged to pay its portion of housing accumulation funds and to withhold and pay its employees' portions to the local administrative authorities. Any employer who fails to register housing accumulation funds account with the local administrative authorities may be imposed a fine up to RMB50,000. Any employer who fails to pay such funds may be ordered by the relevant governmental authorities to make good such payments within a stipulated time limit.

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The Group underpaid housing accumulation funds by approximately RMB291,541, RMB523,974, RMB832,221 and RMB614,915 for each of the three financial years ended 31 December 2006 and the six months ended 30 June 2007 respectively for various reasons. Total exposure of the Group in penalty in respect of such failure is estimated as of the Latest Practicable Date to be an aggregate amount of RMB140,000 to RMB700,000. The Group has not in the past faced any challenge by any governmental authorities over the outstanding housing accumulation funds. However, there can be no assurance that the relevant governmental authorities will not challenge the outstanding funds and impose a fine in the future.

The Selling Shareholder, CITIC Pacific, has provided an indemnity in favour of the Group to cover any losses, damages, claims or penalties that the Group may suffer or incur in relation to the Group's failure to pay housing accumulation funds as mentioned above.

Please refer to the section headed "Business — Compliance" for further detail.

The Group requires various approvals, licences and permits to operate its business and the loss of or failure to obtain or renew any or all of these approvals, licences and permits could materially and adversely affect its business

In accordance with the laws and regulations of Hong Kong, Macao and the PRC, the Group is required to maintain various approvals, licences and permits in order to operate the Group's business. See "Industry overview" for a summary of such licences, approvals or permits. The consumer markets are sensitive to promulgation of new laws and regulations introducing new requirements for permits and/or licences in relation to the Group's various businesses. In addition, companies incorporated in the PRC will be required to pass an annual inspection conducted by the respective Administration of Industry and Commerce in order to retain valid business approvals, licence, and for their operations. As the PRC's legislative system is evolving, it is also not uncommon for new laws and regulations to be promulgated and put into effect at a short notice. Failure to comply with these laws and regulations, pass these inspections, or the loss of or failure to renew its licences and permits or any change in the government policies, could lead to temporary or permanent suspension of some of the Group's business operations or the imposition of penalties on the Group, which could adversely affect the Group's results of operations and financial condition. A penalty imposed by relevant governmental authorities in respect of such failure of compliance by 13 relevant PRC subsidiaries is estimated as of the Latest Practicable Date to be an aggregate amount of RMB670,000 to RMB700,000.

As at the Latest Practicable Date, the Group did not obtain certain approvals, permits and licences required for the Group's operations in the PRC. See "Industry overview — Licensing requirements in the PRC" for more information. The Selling Shareholder, CITIC Pacific, has provided an indemnity in favour of the Group to cover any losses, damages, claims or penalties that the Group may suffer or incur in relation to the Group's failure to obtain the aforementioned approvals, permits and licences.

Failure by the Group's principals or suppliers to introduce products that are accepted by the market may cause it to lose market share and fail to gain the anticipated economic benefits of such new products

The Group's future success will be largely dependent on the ability of the Group's motor vehicles, electrical appliances and cosmetics principals to launch new products or models to suit changing customers' needs in the Greater China Region and to continually enhance the performance and reliability of its products. If the products manufactured by the Group's principals do not receive the anticipated market reception or there are changing tastes, dietary habits and preferences of customers, changes in market demand and market

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prices of the product, this may, among other things, significantly undermine the Group's future development and market share in the industry, and hence materially and adversely affect the Group's financial condition and results of operations.

In addition, the launch of a new product requires substantial capital investment and generally higher initial introductory costs. Therefore, if market acceptance of any of the new products of the principals is lower than anticipated, the Group may be unable to gain the intended economic benefits of its investments and/or incur higher production costs or may need to sell the products at lower margins in order to reduce inventories, as a consequence of which the financial condition and results of operations of the Group may be adversely affected.

The Company's ability to pay dividends and utilise cash resources in its subsidiaries is dependent upon the earnings of, and distributions by, the Company's subsidiaries, associates and jointly-controlled enterprises

The Company is essentially a holding company. Substantially all of the Group's business operations are conducted through its subsidiaries, associates and jointly-controlled enterprises. The Company's ability to make dividend payments depends upon the receipt of dividends, distributions or advances from its subsidiaries, associates and jointly-controlled enterprises. The ability of its subsidiaries, associates and jointly-controlled enterprises to pay dividends or other distributions may be subject to their earnings, financial position, cash requirements and availability, applicable laws and regulations and to restrictions on making payments to the Company contained in financing or other agreements. These restrictions could reduce the amount of dividends or other distributions that the Company receives from its subsidiaries, associates and jointly-controlled enterprises, which could restrict its ability to fund its business operations and to pay dividends to its shareholders. The Company's future declaration of dividends may or may not reflect its historical declarations of dividends and will be at the absolute discretion of the Board.

The Company's ability to utilise cash resources that it has from its subsidiaries, associates and jointly-controlled enterprises to finance the needs of other subsidiaries, associates and jointly-controlled enterprises is subject to the same restrictions as outlined above.

The Group faces inventory obsolescence risk

The range of products that the Group sells includes perishable food commodities and FMCG products which have a limited shelf life. These food products require good storage conditions that maintain the quality of these products. These food products need to be stored under frozen, chilled, air-conditioned and ambient conditions, depending on the products' needs. However, as the age of the products increases, it increases the risk of obsolescence until the expiry date of the products. In situations where the Group purchases the products from its principals and then distributes such products to wholesalers, retail outlets and food service industry, the Group faces inventory obsolescence risk since changes in consumers' tastes and trends may lead to substantial changes in demand. Overstocking, poor demand or returned goods from customers will create the conditions resulting in inventory obsolescence. In addition, the models for motor vehicles and electrical appliances and the cosmetics products distributed by the Group are constantly changing, depending on the research and development of the principals or manufacturers of these products. Any release of new models to these products will increase the risk of obsolescence for existing products and models. Accordingly, any unpredicted and unusual change in consumer demand could adversely affect the Group's revenue.

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Unexpected business interruptions could adversely affect the Group's business

The Group's operations are vulnerable to interruption by fire, floods, earthquakes, electricity outage and other events beyond its control. Many businesses, particularly in Jiangsu and Zhejiang, are reported to be experiencing rotating electricity shutdowns and are expecting worse disruptions as warmer weather and the greater use of air conditioners puts additional strain on electricity demand. In addition, the Group operates in a labour intensive environment, especially its logistics business, where the smooth operations of its business depend on sizeable teams of experienced and skilled labour and sales force. Hence, the Group's business operations are also vulnerable to interruption by any industrial action or strike by the Group's labour force beyond the Group's control. The Group cannot assure that any such industrial action will not occur in the future. In addition, the Group does not purchase any business interruption insurance to compensate the Group for losses that may occur as a result of these kinds of events and any such losses or damages incurred by the Group could disrupt the Group's operations and could materially and adversely affect the Group's results of operations and financial conditions.

The Group's business and results of operations may be affected by its chances of securing contracts awarded by tenders

The Group supplies a substantial part of its products, especially food and FMCG products, to the food service industry such as food catering providers, hotels and government bodies. Some of these businesses are awarded to the Group by the Group winning in open tenders. The Group has in the past actively participated in tender processes to tender for contracts to supply motor vehicles and electrical appliances as well as for the provision of motor vehicle related services, airport ground support and aviation support services and logistics services to governmental departments, international corporations, airlines and hotels. These contracts for supply are usually for a fixed duration and are awarded to the Group only if the Group wins an open tender which is beyond the Group's control. As the volumes of sales are usually quite substantial in such contracts awarded by tender, the Group's profitability may change substantially depending on whether the Group is able to secure the award of the open tenders, which are usually awarded on a project basis.

Some examples of the awards of contracts by tenders which the Group was previously involved include the supply of special purpose vehicles to Hong Kong Government departments for the Hong Kong International Airport and the Lantau Link projects, the installation of Eaglehard diesel catalysts pursuant to the "Installation of Particulate Removal Devices for Pre-Euro Diesel Vehicles", the contract for supply of food commodities and FMCG products to catering industry of Hong Kong, the contract to supply and install washing and drying machines, ovens and air conditioners in residential units in Hong Kong and Macao as well as the contracts for the provision of logistics services to 7-Eleven.

The Group cannot assure the chance of winning these tenders all the time. In addition, some of the tender customers or those customers who have signed purchase contracts with the Group may not be able to fulfill the purchase quantities as agreed upfront. This may lead to overstock by the Group which may result in the Group needing to reduce prices in order to dispose of these stocks or even to write off stocks in some cases. In any of these events, the Group's business, results of operations and financial conditions could be materially and adversely affected.

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Product defects of the principals or suppliers and failure of the principals or suppliers to settle product liability claims may adversely affect the business and results of operations of the Group

The Group does not manufacture the products it distributes but it sources the supply of these products from its principals or suppliers. Hence, the Group does not have control over the quality of the products. If there is any defect in the products distributed by the Group, including but not limited to the motor vehicles, spare parts, food and consumer products, this may lead to the disruption in supply by the suppliers or principals or the brand or reputational damage to such principals or suppliers, each of which may result in a consequential halt in the demand for a particular product or all lines of products provided by such principals or suppliers, as alternative products are readily available and supplied by other distributors, the Group's customers can easily replace the source of supply of these products previously from the Group with another. For instance, the Group carried out a part replacement scheme for one of its motor vehicle principals for its motor vehicles sold into the market in the PRC in 2005, which caused a disruption in motor vehicle supply in that year and had a material adverse effect on the Group's turnover from motor vehicle sales in the PRC market since then. Please see "Financial information — Results of operations — Year ended 31 December 2005 compared to year ended 31 December 2004" for more information.

In addition, these products from its principals and suppliers are facing inherent risk of exposure to personal injury and product liability claims brought by consumers who have suffered personal injuries or bodily harm as a result of consumption or use of these products distributed by the Group. Personal injury and product liability claims could be expensive to defend and may result in punitive damages against the manufacturers of these products. The suppliers of the Group may not have product liability insurance to cover any potential product liability claims brought by the customers against the suppliers. In addition, the Directors confirm its suppliers generally do not provide the Group with a contractual indemnity against claims or losses related to product liability. Even if such indemnity was given, its value would depend highly on the creditworthiness of the indemnifying party. As the products are not manufactured by the Group, the Directors believe that the Group's product liability risks are either uninsurable in Hong Kong and the PRC or cannot be insured at a commercially acceptable cost relative to the overall cost of sales of the Group. Therefore, the Group relies on its suppliers to settle such product liability claims with the customers. If the Group's suppliers fail to settle any product liability claims, the demand for the affected products may be affected, which will affect the sales turnover of the affected products. Hence, on the occurrence of any product defects or any failure by its suppliers to settle product liability claims, the Group's business, results of operations and financial conditions will be materially and adversely affected.

Certain lands or buildings where the Group operates its business in the PRC and overseas do not have proper title or the head lessor's consent for sub-lease or the Group may fail to, or need to incur further expenses or time to, secure legal ownership over certain lands or buildings which it owns in the PRC

The Group requires substantial storage facilities to store its inventory for motor vehicles, spare parts, accessories, food and consumer products. Most of the warehouses or cold storage stores occupied by the Group are rented or leased by the Group from Independent Third Parties under tenancy or lease agreements. Depending on market conditions for real estate, landlords or lessors may increase rentals to a rate not acceptable by the Group and which may lead to the Group not renewing the tenancies or leases upon their expirations. If these tenancies or leases are terminated and if there are no ready alternative locations of these warehouses or cold storage stores for the Group to store its products or if the Group is forced to accept the increased rentals or are not able to relocate to a suitable place, the Group's business, results of operations and financial conditions could be materially and adversely affected.

RISK FACTORS

Some of the lands and/or buildings in the PRC leased and occupied by the Group for its business operation have one or more of the following title defects:

- 13 parcels of land and building leased from Independent Third Party landlords where the landlords do not have proper land or building title certificates. These comprise properties leased by the Group identified as Property Nos. 143, 155, 160, 166, 176–179, 181, 188, 195, 201 and 206 in Appendix IV to this Prospectus. These properties comprise a total floor area of approximately 9,157m², representing approximately 1.9% of the total floor area of the properties leased and owned by the Group;
- 7 parcels of buildings where the Group funded the construction on lands leased from Independent Third Party landlords and the landlords are in the process of applying for the proper building title certificates. These comprise properties leased by the Group identified as Property Nos. 153, 154, 158, 168, 170, 208 and 210 in Appendix IV to this Prospectus. These properties comprise a total floor area of approximately 23,968m², representing approximately 5.0% of the total floor area of the properties leased and owned by the Group; and
- 7 parcels of buildings where the Group funded the construction on lands leased from Independent Third Party landlords and such landlords have not yet provided proper land and building title certificates. These comprise properties leased by the Group identified as Property Nos. 157, 159, 175, 180, 207, 209 and 211 in Appendix IV to this Prospectus. These properties comprise a total floor area of approximately 27,530m², representing approximately 5.8% of the total floor area of the properties leased and owned by the Group.

The use of the above leased premises may be challenged and the Group may need to relocate its existing business operations.

The Group may also be unable to secure the ownership over the buildings where construction was funded by the Group.

Furthermore, if such lands leased to the Group are collectively-owned land and the Group operates its business on them for non-agricultural uses without special permission, subject to 中華人民共和國土地管理法 (Land Administration Law of the People's Republic of China), the administrative departments at or above county level may order the termination of such leases.

In respect of the premises sub-leased to one subsidiary of the Group in Singapore identified as Property No. 218 in Appendix IV to this Prospectus, the relevant written approval from the head lessor (being the President of the Republic of Singapore) for such sub-lease has yet to be obtained by the main tenant. In the absence of such approval, the Collector of Land Revenue of Singapore or any officer authorised by him in writing on behalf of the lessor may enter upon and take possession of the land and the premises.

In any of the above events, the Group may be required to terminate the existing leases and relocate its existing business operations. There can be no assurance that the Group can replace the existing leases with other comparative alternative premises without any material adverse effect on its operations.

RISK FACTORS

In addition, some of the lands and/or buildings in the PRC owned by the Group for its business operation have the following title defects:

- the Group has not obtained the proper building certificate for one parcel of land and building which the Group owns to operate its business. This property is identified as Property No. 16 in Appendix IV to this Prospectus. This property comprises a floor area of approximately 3,641m², representing approximately 4.8% of the total floor area of the properties owned and occupied by the Group; and
- development of three parcels of land held by the Group in the PRC will only commence after the one year limit as specified in the relevant land grant contracts. These lands are identified as Property Nos. 11, 12 and 13 in Appendix IV to this Prospectus. These properties comprise a total site area of approximately 309,674m².

The Group may need to incur further expenses in order to rectify the defects or secure legal ownership over the above-mentioned properties and, in respect of the building where the proper building title certificate has not been obtained, may not sell, mortgage and lease such properties to any third party until the Group has obtained the proper building title certificate. The use of the above owned premises may be challenged. The Group may need to relocate its existing business operations. Under the 中華人民共和國城市房地產管理法 (the Law of the People's Republic of China on Urban Real Estate Administration), if the Group failed to commence development of the land within the specified time according to the terms of the land grant contract, the Land Resources Authority may impose a penalty of up to 20% of the land premium when the delay in development is more than one year from the specified commencement date. If the delay in development is more than two years from the specified commencement date, the Land Resources Authority may order the Group to surrender the lands for no consideration and forfeit all the rights granted on the land. The Group will apply for 建設工程規劃許可証 (Construction Planning Permits) and 建設工程施工許可証 (Construction Building Permit) for the three parcels of land in question. However, penalties may still be imposed by relevant governmental authorities in respect of delayed development which can be up to 20% of the land premium. On the basis of the land premium of approximately RMB9.8 million the Group has paid for these three parcels of land, such penalties can be up to approximately RMB1.96 million. The Group may therefore need to incur further expenses in order to secure ownership over the land where development has been delayed.

The Selling Shareholder, CITIC Pacific, has provided an indemnity in favour of the Group to cover any claim, loss or expenses suffered or incurred by the Group arising out of or in connection with these properties with respect to any defects in title as mentioned above.

Please also see "Business — Properties".

A certain portion of the Group's profits attributable to equity shareholders of the Group during the three financial years ended 31 December 2006 and the six months ended 30 June 2007 was contributed by revaluation gains on investment properties

For the three financial years ended 31 December 2006 and the six months ended 30 June 2007, the Group has recorded the net valuation gains on investment properties of HK\$57.1 million, HK\$77.2 million, HK\$111.7 million, and HK\$60.8 million which represented 17.0%, 21.2%, 23.4%, and 20.4%, of the Group's profit from operations for the respective periods. These investment properties are land and buildings which are owned by the Group to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use. Investment properties are stated in the balance sheet at fair value determined based on independent third party appraisal at each balance sheet date. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised as profit or loss.

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The Group's investment properties are revalued by independent professional valuers on a market value basis at each balance sheet date. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from actual results. In addition, the volatility of the real property market would impact the actual results of the Group. Therefore, there can be no assurance that the Group is able to sustain such gain in the future.

In addition, the Group has included in the Group's profit forecast for the year ending 31 December 2007 such gains and losses on revaluation of investment properties which involve estimates and assumptions that may or may not materialise.

RISKS RELATING TO THE INDUSTRIES IN WHICH THE GROUP OPERATES

A. Risks relating to the motor vehicle industry

Increasing competition, particularly in the PRC motor vehicle market, may have an adverse effect on the Group's business growth and results of operations

In Hong Kong, the motor vehicle business is relatively mature compared to the PRC motor vehicle market, where the motor vehicle principals are competing with each other for limited demand and the Group's results of operations may be adversely affected if the motor vehicles it distributes are not proven to be competitive in the market in terms of quality, delivery time and price. By comparison, in the PRC motor vehicle market, in addition to the competition among motor vehicle principals that may affect the Group's sales turnover or sales margin of motor vehicles, the Group also faces competition from numerous distributors offering the same brands of motor vehicle, as the market practice in the PRC allows multiple non-exclusive dealerships distributing the same brand of motor vehicles in the same city or region as well as competitions from the domestically produced automotive products, including those produced by joint venture companies in the PRC set up by international automobile manufacturers. A number of these competitors have been increasing their operations and sales in the PRC in recent years and many have recently announced that they plan to further expand their production capacities in the PRC. The Directors believe that increased competition has contributed to price reductions in 2006. There may also be situations where competitors of the Group or a particular motor vehicle manufacturer in the PRC reduce prices in order to increase sales to gain market share. Certain competitors may be able to respond to such price reductions or emerging changes in consumers' spending trends quicker than the Group. A number of the Group's current and potential competitors, such as the motor vehicle dealers may have greater name recognition or more extensive customer bases than the Group. Increasing competition could result in fewer customer orders, reduced revenues, reduced sales margins and loss of market share, any one of which may adversely affect the business of the Group.

RISK FACTORS

Contractual arrangements in respect of certain companies in the PRC may be subject to challenge by the relevant governmental authorities and may affect the Group's investment and control over these companies and their operations

According to 《外商投資產業指導目錄》 (Foreign Investment Industries Guidance Catalogue), which was introduced in 1995 and was later amended in 1997 (the "1995 Catalogue"), general trading, motor distribution and logistics businesses in which the Group engaged in were classified under the restricted category. Foreign enterprises were not allowed to wholly own businesses under the restricted category. As a result, the Group has been conducting its operations in the PRC through various companies incorporated in the PRC and owned by the PRC individuals under which the Group does not have direct equity interests but generally has the following rights:

- (i) the right to enjoy the economic benefits of these companies, to exercise management control over the operations of these companies, and to prevent leakages of assets and values to the registered owners of these companies; and
- (ii) the right to acquire, if and when permitted by PRC law, the equity interests in these companies at nil consideration or for a nominal price.

Pursuant to these Contractual Arrangements, the Group is able to consolidate the financial results of these companies which are accounted as subsidiaries of the Group under the prevailing accounting principles.

There can be no assurance that the relevant governmental authority will not challenge the validity of these Contractual Arrangements or the governmental authorities in the PRC will not promulgate laws or regulations to invalidate such Contractual Arrangements in the future. In March 2002, the State Development and Reform Commission and the Ministry of Commerce jointly promulgated a revised "Foreign Investment Industries Guidance Catalogue" (the "2002 Catalogue") to replace the 1995 Catalogue. The 2002 Catalogue came into effect on 1 April 2002. In the 2002 Catalogue, general trading (excluding dealerships) and logistics businesses were added to the encouraged category. Enterprises falling under this category can be wholly owned by foreign enterprises. The 2002 Catalogue allows general trading (including distributorship) and motor distribution businesses to be wholly owned by foreign enterprises by the end of 2006. In November 2004, a newly revised "Foreign Investment Industries Guidance Catalogue" (the "2004 Catalogue") was promulgated to replace the 2002 Catalogue. The 2004 Catalogue came into effect on 1 January 2005 and did not amend the provisions in the 2002 Catalogue in respect of general trading and motor distribution. Therefore, the Group intends to and is in the process of converting the existing contractual arrangements into direct equity interests owned by the Group. In 2005, the Group has successfully set up a foreign wholly-owned company, namely, 合眾汽車銷售服務(中國)有限公司 (Triangle Motor Sales and Services (China) Co., Ltd.) in the PRC to conduct motor vehicles retail business in the PRC under CEPA. In the fourth quarter of 2006, the Group has started conversion in respect of two of its Contractual Arrangements for 昆明聯亞豐田汽車銷售服務有限公司 (Kunming Lianya Toyota Motors Sales and Service Limited) and 昆明合運汽車貿易有限公司 (Kunming Heyun Motors Trading Limited) under approach on a trial basis. Subject to the successful conversion of these two trial cases, and the time and cost effectiveness of the conversion under the WTO approach, the Group expects to implement conversion for other Contractual Arrangements under the WTO approach. It is expected that the conversion of these two trial cases will be completed by the end of this year. The PRC legal adviser of the Company, Jingtian & Gongcheng, advised that there is no foreseeable legal impediment to the conversion of these two Contractual Arrangements and to the conversion of all other Contractual Arrangements since the applicable foreign investment restrictions have been lifted (subject to the approval of the relevant authorities in the PRC as mentioned in this

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section of the Prospectus), and conversion of all Contractual Arrangements would not adversely affect the tax payments and other financial matters of the Company. Due to the various necessary submission and approval procedures, the conversion for the above-mentioned companies is still in the process. If before the completion of such conversion, any of these Contractual Arrangements is challenged by the governmental authorities, or the contracts for such arrangements are breached by the counterparties and the Group is unable to obtain a judgment to its favour to enforce its contractual rights, or if there is any change of the PRC laws or regulations to explicitly prohibit such arrangements, the Group may lose control over, and revenues from, these companies, which will materially affect the Group's financial condition and results of operations. Such conversion may include various approvals from governmental authorities and submissions of related documents (e.g. proper land use rights certificates and/or tenancy agreements for buildings), therefore there can be no assurance that such approval may be obtained in due course. Please see "Risk factors — Certain lands or buildings where the Group operates its business in the PRC and overseas do not have proper title or the head lessor's consent for sub-lease or the Group may fail to, or need to incur further expenses or time to, secure legal ownerships over certain lands or buildings which it owns in the PRC" above in relation to any risks associated with land use rights certificates and/or tenancy agreements for buildings.

Overcapacity in the PRC automobile market could have a material adverse effect on PRC automotive importers, dealers and distributors, including the Group

Automobile sales in the PRC have been growing rapidly. It is expected that the construction of more paved roads and highways in the PRC, together with an increase in the spending power of the general population, will cause the demand for automobiles in the PRC to grow significantly in the near future. In order to capture this increasing demand, members of the Group currently intend to pursue their respective strategic expansion plans that include expanding their imports, pursuing aggressive promotional campaigns and expanding their marketing networks. However, such potential growth in the automobile market has also encouraged, and will likely continue to encourage, other automobile importers, dealers and distributors, including foreign competitors and new domestic automobile companies, including importers, dealers and distributors as well as manufacturers, to further increase the imports or expand their production capacities. This has resulted, and may continue to result, in an excess supply of automobiles in the market.

In addition, the growth of the automobile industry in the PRC is linked to the PRC's economic climate. If there is an economic slowdown in the PRC or the imposition of more restrictive credit terms or higher impact tariff, the demand for automobiles may slow down resulting in further continued over-supply of automobiles in the market or a further softening in the market demand for automobiles which could have a material adverse effect on the financial condition and results of operations of automobile importers, dealers and distributors throughout the PRC, including the Group.

Imposition of fuel economy standards on PRC automotive manufacturers and the proposed imposition of higher automobile consumption taxes may have a negative effect on the revenues and profits of PRC automobile importers, dealers and distributors, including the Group

The PRC government approved revised fuel economy standards for new vehicles in September, 2004. These new standards require vehicles which fall into any of the 32 different weight-based classes to meet certain minimum miles per gallon ("mpg") fuel economy standards, generally between 19 mpg and 38 mpg by July 2005, and between 21 mpg and 43 mpg by 2008. As of November 2004, 66% of automobiles sold in China met the 2005 standards and 35% met the 2008 standards, while only 4% of SUVs and minivans met the 2005 standard. The new standards may have a substantial impact on motor vehicle distributors such as the Group, who will have to limit the type of motor vehicles to be distributed to smaller models to comply with the new standards.

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The PRC government adopted new automobile consumption taxes on 1 April 2006 which increased the consumption tax rate on passenger cars with cylinder capacity of more than 2.0 litres. In particular, the tax on passenger cars with a cylinder capacity of more than 2.0 litres and up to 2.5 litres has been increased by 1%; those with a cylinder capacity of more than 2.5 litres and up to 3.0 litres has been increased by 4%; those with a cylinder capacity of more than 3.0 litres and up to 4.0 litres has been increased by 7%; and those with a cylinder capacity of more than 4.0 litres has been increased by 12%. There is no assurance that the automobile consumption tax rate will not be increased further in the future, which will increase the costs of vehicles with relatively large cylinder capacity. Car importers, dealers and distributors in the PRC might not be able to successfully pass on the tax increase as higher prices to customers. Even if such increased costs are added to selling prices, such increase in prices could result in a decline in vehicles sale. Such an increase in cost of good sold or decline in demand may have an adverse effect on the revenues and profits of car importers, dealers and distributors in the PRC, including the Group.

Automobile importers, dealers and distributors in the PRC, including the Group, may expend considerable resources in order to comply with the Regulations on Recall of Defective Automotive Products, which took effect in October 2004

In the PRC, the Regulations on Recall of Defective Automotive Products came into effect on 1 October 2004. This regulation requires automotive distributors to assist automobile manufacturers to undertake service actions or recall campaigns. Any such actions or campaigns may require automotive distributors to expend considerable resources in detecting and reporting to the regulatory authorities of any potential design defects, defective component parts or assembly defects in the automobile products distributed, which could influence purchasing decisions of potential purchasers of the vehicles distributed by the Group or adversely affect the reputation of the products distributed by the Group, thereby negatively affecting sales and profitability of the Group. Material failures by automobile distributors to perform their obligations under such regulations may also subject the distributors to certain penalties and fines.

Imposition of restrictions on road use and traffic control legislation and regulations in Hong Kong, Macao and the PRC may have an adverse effect on importers, dealers and distributors of vehicles, including the Group

Pursuant to Section 23 of the Road Traffic Ordinance (Cap. 374), the Chief Executive in Council may, by notice in the Gazette, limit the number of vehicles which may at any time be registered by reference to the total number of vehicles in all classes, a class or description of vehicle or a description of the conditions subject to which the vehicle licences will be issued, the date of manufacture of vehicles and the country of origin of the vehicles. In addition, the Hong Kong Government may also increase the rate of FRT in order to discourage car sales so as to limit the number of vehicle registration. The Secretary for Development is also empowered under the Road Traffic Ordinance (Cap. 374) to make regulations for, among others, controlling, regulating and restricting vehicle movements on an expressway. Any measures taken by Hong Kong Government to limit the number of car registrations, especially those measures which are likely to lead to an increase in the costs for owning and maintaining a motor vehicle are likely to affect the sales turnover of motor vehicles for the Group.

In the PRC, pursuant to current legislation and regulations imposed by transport authorities in some provinces and municipalities, certain restrictions on road use and traffic control regulations apply to trucks that are over particular weight limits. Such measures include time and segmental restrictions. These restrictions on road use and traffic control regulations have been implemented in certain large cities, including, but not limited to, Beijing and Shanghai. These restrictions lead to lesser demand for

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such trucks and hence, sales of certain types of trucks distributed by the Group in those cities, like those of other commercial vehicle dealers and distributors, will be directly affected by these measures. There is no assurance that other provincial or municipal governments will not impose similar restrictions. If such restrictions are imposed, the sale of certain types of products of some automotive importers, dealers and distributors, including the Group, will be adversely affected. In any of these situations, the Group's financial condition and results of operations could be materially and adversely affected.

The proposed introduction of the “three guarantees” policy on vehicles sold in the PRC may have a negative effect on the revenues and profits of the Group

The PRC government is considering adopting the Regulations on Non-Commercial Passenger Vehicle Repair, Exchange and Return Responsibilities (commonly referred to as the “three guarantees” policy) in the near future. The new regulations are designed to make it easier for buyers of vehicles which are to be used for non-commercial purposes to hold the dealers primarily responsible for quality defects in motor vehicles, regardless of the contractual allocation of such liabilities between the manufacturers and dealers. These regulations provide, among other things, that a purchaser can return a vehicle to the dealers at no cost or, in some circumstances, at a nominal cost, if (i) a major quality problem occurs within 30 days of the purchase or, (ii) such vehicle has the same quality problem after five repair attempts or (iii) the aggregate time for all quality-related repairs of such vehicle exceeds 35 days over a specified term (usually two years).

If these regulations are introduced as described above or in a similar form, the costs of compliance with such regulations and the potential product defect liability, if occurs, could have a material adverse effect on the Group. Even if the Group passes along such costs to consumers in the form of higher selling prices, the increase in sales prices could cause a decline in market demand and result in a material adverse effect on the revenues and profits of the Group.

Any trade or other political disputes between countries may affect the Group's selection of motor vehicles to be imported and sales turnover

A majority of the motor vehicles, spare parts and accessories distributed by the Group in Hong Kong, Macao and the PRC are imported from Japan, Europe and Korea. There may be occasions when trade or other political disputes or tensions arise between countries of imports and the countries of exports which are beyond the Group's control. Depending on the response of society to the government's stance to such disputes, the demand for the products imported from the countries which are subject to the trade disputes may be affected, and hence affect the Group's selection of the product as well as the overall sales turnover. There is no assurance that the customers would prefer one brand over the other or the vehicles made by one country over the other country. In any of such events, this will cause a decline in the Group's sales turnover and affect the Group's financial condition and results of operations.

Fuel shortages and increases in fuel prices may adversely affect the demand for automobiles

Fuel prices are inherently volatile and have remained high since 2002. Any surge in fuel prices will have an adverse effect on world economies and, in particular, on the world's automobile industries. In the Greater China Region this year, rising global oil prices and rising demand for fuel have led to fuel shortages in the south. This is due in part to increased automobile ownership as well as government controls over fuel prices.

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If the PRC central government continues to control the price of domestic refined oil to stabilise the market and demand for fuel in the Greater China Region continues to increase in line with rising annual GDP, it is possible that further shortages will occur. If the cost of fuel in the Greater China Region continues to increase, consumers may elect to use alternative means of transportation, and demand for automobiles, particularly those with larger engine capacities, may decline.

B. Risks relating to the food and consumer products industry

The outbreak of animal diseases, including the recent outbreak affecting those in contact with streptococcus suis-infected pigs in Sichuan, the PRC, or other epidemics could adversely affect the Group's operations

An occurrence of serious animal diseases, or any outbreak of other epidemics in the PRC or any other countries from which the Group imports meat products affecting animals or humans might result in material disruptions to the Group's operations, material disruptions to the operations of the Group's customers or suppliers, a decline in the supermarket or food retail industry or slowdown in economic growth in the PRC and surrounding regions, any of which could have a material adverse effect on the Group's operations and turnover. Recently, there has been an outbreak of streptococcus suis in pigs, mainly in Sichuan, the PRC, with a large number of cases of human infection following contact with diseased pigs. There can be no assurance that the Group's products will not be affected by an outbreak of that disease or other similar ones, or that the market for meat products in the PRC will not decline as a result of fear of disease. In any case, the Group's business, results of operations and financial condition would be adversely and materially affected.

The food and consumer products markets in Hong Kong and Macao are highly competitive and any finding or rumour of tainted food may lead to a halt in the demand of a particular product offered by the Group

The sale of food products for human consumption involves an inherent risk of injury to consumers. Such injuries may result from tampering by unauthorised third parties or product contamination or degeneration, including the presence of foreign contaminants, chemicals, substances, other agents or residues during the various stages of the procurement and production process. The Group cannot assure that consumption of the Group's food products will not cause any health-related illness in the future, or that the Group will not be subject to claims or lawsuits relating to such matters. In addition, consumers in the Greater China Region are increasingly conscious of food safety and nutrition. Consumer concerns about, for example, the safety of pork products, or about the safety of food additives used in processed meat products could discourage them from buying certain of the Group's food products and cause the Group's results of operations to suffer.

There have been frequent occurrences of counterfeiting and imitation of products in the PRC in the past. The Group cannot guarantee that counterfeiting or imitation of the Group's food products will not occur in the future or that the Group will be able to detect it and deal with it effectively. Any occurrence of counterfeiting or imitation could impact negatively upon the Group's corporate and brand image, particularly if counterfeit or imitation products cause injury or death to consumers. In addition, counterfeit or imitation products could result in a reduction in the Group's market share, a loss of revenues or an increase in its administrative expenses in respect of detection or prosecution.

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In addition, the Directors believe the Group faces competition from a significant number of companies offering similar food and consumer products as the Group in terms of quality, delivery time and price in Hong Kong and Macao. If there is any finding or rumour of tainted food, this may lead to a complete halt in the demand of a particular product offered by the Group. As these products are readily available and supplied by other distributors, the Group's customers can easily replace the source of supply of products previously supplied to them by the Group with those of another supplier.

Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertions that the Group's food products caused personal injury or illness could adversely affect the Group's reputation with customers and the Group's corporate and brand image. In line with industry practice, the Group does not maintain product liability insurance. Furthermore, the Group's food products could potentially suffer from product tampering, contamination or degeneration or be mislabeled or otherwise damaged. Under certain circumstances, the Group may be required to recall these products. Even if a situation does not necessitate a product recall, the Group cannot assure that product liability claims will not be asserted against the Group as a result. A product liability judgment against the Group or a product recall could have a material adverse effect on the Group's business, financial condition and results of operations.

The processed meat and other food processing industries in the PRC may face increasing competition from both domestic and foreign companies, as well as increasing industry consolidation, which may affect the Group's market share and profit margin

The Group sells its food and consumer products principally to supermarkets, hypermarkets and large retailers, who in turn sell the products to end consumers. If the sales performance of the Group's customers deteriorates, this could adversely affect the turnover of the Group. Furthermore, the Group's customers also carry products which directly compete with the Group's products for retail space and consumer purchases. There is a risk that the Group's customers may give higher priority to products of, or form alliances with, the Group's competitors. If the Group's customers do not continue to purchase its products, or provide its products with similar levels of promotional support, the Group's sales performance and brand imaging could be adversely affected.

In addition, the processed meat and other food processing industries in the PRC are highly competitive. The Group's processed meat products are targeted at mid to high end consumers, a market in which the Group faces increasing competition particularly from foreign suppliers. In addition, the evolving government regulations in relation to the processed meat industry has driven a trend of consolidation through the industry, with smaller operators unable to meet the increasing costs of regulatory compliance and therefore at a competitive disadvantage.

The Group cannot assure that its current or potential competitors will not develop products of a comparable or superior quality to that of the Group, or adapt more quickly than the Group does to evolving consumer preferences or market trends. In addition, the Group's competitors in the processed meat market may merge or form alliances to achieve a scale of operations or sales network which would make it difficult for the Group to compete. Increased competition may also lead to price wars, counterfeit products or negative brand advertising, all of which may adversely affect the Group's market share and profit margin. The Group cannot assure that the Group will be able to compete effectively with its current or potential competitors.

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The Group's business and results of operations are dependent on its suppliers' ability to supply and continue to supply food and consumer products as well as the suppliers' compliance with labeling or other regulations

The ability of the Group to meet its customer's demands over the food and consumer products depends on the ability of its suppliers to supply and continue to supply these food and consumer products. The Group also relies on the long standing relationships it has with its suppliers to maintain its product portfolio. Suppliers may be unable to supply or continue to supply the food and consumer products due to reasons such as the shortage of raw materials, financial difficulties of the suppliers which affect production or any change in the ownership of the suppliers where the new owners of the suppliers may decline to supply or even terminate the existing product lines, or to close down the suppliers' business altogether or due to the occurrence of unexpected socio-economic conditions beyond the Group's control such as strikes, floods or war.

Most of the food and consumer products distributed by the Group are imported from various overseas countries. Accidents such as theft, erroneous destination, loss of container from vessels into the sea, or the shipment of incorrect items could happen during the voyage or transportation of these products from its suppliers' and/or principals' warehouses to the Group's warehouses. These will lead to product shortage and hamper the Group's ability to fulfill its customers' orders as well as to secure profits. Any of these events could adversely and materially affect the Group's business, results of operations and financial condition if there are no ready alternative services of these products.

In addition, some of the food and FMCG products distributed by the Group are subject to food labeling regulations in Hong Kong and the PRC. The Group's suppliers are responsible for labeling these products. However, any oversight by the Group's suppliers in complying with the labeling or other regulations in the markets in which the Group intends to sell such products could result in the Group incurring fines, penalties or other legal obligations. In such circumstances, the Group will endeavour to recoup the losses incurred from its suppliers. However, as most of the supply contracts between the Group and its suppliers do not provide any contractual right for the Group to claims of such losses incurred by its suppliers' mis-labeling, it is possible that the Group may not be fully compensated for such losses incurred. In such a situation, the Group's business, results of operations and financial conditions could be materially and adversely affected.

The Group's business and results of operations are dependent on the advertising and promotion strategies which are partially subsidised by its suppliers

The sales volumes of the Group's products are influenced by the consumers' awareness of the products through advertising and promotion campaign and strategies as set and agreed by the Group and its principals and/or suppliers. Part of these advertising and promotional expenses are subsidised by its principals and/or suppliers. The Group's principals and/or suppliers may reduce the budgets for advertising and promotional expenses of the products distributed by the Group. Any such change in the advertising and promotion strategies could lead to a shortfall in sales volume. As a result, the Group's business, results of operations and financial conditions could be materially and adversely affected.

RISK FACTORS

The Group's profitability may be affected by the cost transfer strategies adopted by its customers

The Group distributes a substantial part of its food and consumer products to large retail chains, chain food service operators, or other major customers. Due to the bulk purchase of the products from the Group, these customers may have strong bargaining power over the Group and may sometimes transfer any increase in their operating costs such as rentals and labour costs by bargaining for a lower price for the products purchased from the Group, thereby transferring such increase in their operating costs to the Group. All these could hamper the profitability of the Group and could materially and adversely affect the Group's business, results of operations and financial conditions.

The Group may face legal consequences and financial losses for using its principals' intellectual property rights which its principals have no rights to grant to the Group

The Group is granted the licence to use certain intellectual property rights such as brands, logos, packaging designs or other brand-related devices by its principals of FMCG, electrical appliances and cosmetics products pursuant to distributorship agreements. The right to use such intellectual property rights is crucial to the Group's business operations and is dependent on its principals' ownership of these intellectual properties. The Group's principals may unknowingly grant to the Group the right to use the intellectual property rights without them first having the right to do so. This may result in the legal owners of the intellectual property rights bringing actions against the Group for unauthorised use, infringement or misappropriation of these intellectual properties used by the Group, which could lead to significant financial loss to the Group. As a result, the Group's business, results of operations and financial conditions could be materially and adversely affected.

C. Risks relating to the logistics industry

The Group's logistics business and operations may be affected by the availability of its warehousing and storage capacity

One of the critical factors when manufacturers outsource their logistics function to professional logistics service providers is the storage or space constraints faced by them. Similarly, the Group requires large warehousing and storage space to conduct its logistics business. Other than the warehouses in Xinhui, the PRC which are owned by the Group, other warehouses occupied by the Group in Hong Kong and Macao are rented or leased. Any delay in the transitional arrangements in finding suitable location to relocate one of these warehouses when the tenancy is due to expire could result in the loss of business. This could materially and adversely affect the Group's business, results of operations and financial condition.

Ability of the Group's competitors in Macao to secure more space or land to expand its logistics business could affect the Group's business and operations

There is generally a shortage of land in Macao. The Group currently has a competitive advantage in Macao due to the large warehousing space and capacity offered by its existing facilities. Any expansion of the Group's business is constrained by the shortage in the warehousing space that the Group is able to secure. If any the Group's competitors is able to secure land to expand its logistics business in the relatively small market in Macao, the Group may lose its competitiveness and business to its competitors. In such a situation, the Group's business, results of operations and financial conditions could be materially and adversely affected.

RISK FACTORS

Any delay by the Group in completing its land use development plans in Xinhui, the PRC may affect the Group's business and operations

The Group's logistics business is relatively new in Xinhui and it is in the midst of developing and expanding. The Group has planned to have many value added services conducted at its logistics hub in Xinhui, the PRC and has invested aggressively in developing this logistics hub facility. The Group expects the remaining approximately 300,000 square metres in Xinhui, the PRC will be ready for use by the middle of 2009. The Group's ability to generate future cash flow from this heavily invested facility depends on the availability of the Xinhui logistics hub. Any delays in completing the construction may affect the Group's ability to generate cash flow. In addition, logistics business is dependent on the existing infrastructure for access and transportation. In the PRC, there are certain obstacles to overcome in the inland regions where the infrastructure is less developed and where the Group expects both challenges and growth opportunities in those regions. If there is any delay in completing the construction of the facilities in the Xinhui logistics hub or if the Group is not able to overcome obstacles for lack of infrastructure for access and transportation to the inland regions, the Group's business, results of operations and financial condition could be materially and adversely affected.

The Group's business and results of operations are dependent on the growing global outsourcing trends

The Group's business is dependent on its customers outsourcing their marketing and logistics functions as part of their supply chain management. Over the past decade, a lot of international brand owners have become increasingly reliant on outsourcing so that they can allocate and focus their resources on research and development and brand building. There can be no assurance that the trends in adopting supply-chain outsourcing strategies by global brand owners will continue to grow. If the growing outsourcing trends should decline, this could materially and adversely impact on the Group's business, financial position and results of operations.

Any error in recording stocks kept at the private bonded warehouse in the Xinhui logistics hub may affect the Group's business and operations

The Group has a private bonded warehouse in its Xinhui logistics hub where any imported goods which are meant for re-export that are stored in the private bonded warehouse will not be required to pay import duties. There can be no assurance that an error in recording the volumes, descriptions and information in the stocks will not occur. These errors may be viewed negatively by the Xinhui local government as a tax avoidance measure by the Group and may jeopardise the Group's relationship with the Xinhui local government. The Xinhui government may also impose penalties or other legal obligations on the Group arising from such errors, which could materially and adversely affect the Group's business, results of operations and financial condition.

Accidental losses suffered by the Group may not be fully indemnified by its insurers which may affect its business and results of operations

The logistics business operates in a high risk environment, which is exposed to loss due to theft and robbery at the warehouses or during transportation, or industrial and occupational accidents due to the large number of forklifts and containers involved which require manual operation by individuals. The Group has purchased various insurance policies to cover such risk of losses for its logistics operations. However, the Group may not be fully indemnified from severe or exceptional accidents not included in its standard insurance policies. In such an event, such losses will be borne by the Group, which could materially and adversely impact on the Group's business, financial position and results of operation.

RISK FACTORS

RISKS RELATING TO ECONOMY AND POLITICS

Adverse changes in the PRC's economic, political, social conditions and government policies could have a material adverse effect on the overall economic growth of the PRC, which could adversely affect the results of operations and financial condition of the Group

The economy of the PRC differs from the economies of most developed countries in many aspects, including:

- structure;
- level of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. For the past two decades, the PRC government has implemented economic reform measures emphasising on utilisation of market forces in the development of the PRC economy. Any adverse changes in the PRC's political, economic and social conditions, laws, regulations and policies could materially and adversely effect the Group's current or future businesses, results of operations or financial condition.

The state of Hong Kong's economy and politics may adversely affect the Group's performance and financial condition

The Group's primary facilities and operations are located in Hong Kong. Hong Kong is a special administrative region of the PRC with its own government and legislature. Under the Basic Law of Hong Kong, Hong Kong is entitled to a high degree of autonomy granted by the PRC under the principle of "one country, two systems". However, there is no assurance that Hong Kong will continue to enjoy its current level of autonomy from the PRC, and, if it does not, this could have a material adverse effect on the Group's business, results of operations and financial condition.

The Hong Kong economy has experienced considerable volatility since the second half of 1997. Hong Kong's primary economic sectors, such as real estate, retail and finance, are volatile. It is not certain whether such growth will be sustained. As the Group's operations are principally conducted in Hong Kong, its financial position and the results of its operations are and will be affected by the state of Hong Kong's economy, which is subject to many different factors beyond the control of the Group.

In particular, the economy of Hong Kong is significantly affected by developments in the PRC and elsewhere in the Asia-Pacific region and the United States. The PRC's economy may experience adverse economic developments and other regional or local economies may deteriorate further and this would have an adverse impact on Hong Kong's economy and hence the Group's operating results, financial condition, business and prospects.

RISK FACTORS

The PRC legal system is continuously evolving and has inherent uncertainties and the legal protections available to the Company, as shareholder of many subsidiaries in the PRC, may be limited

Some of the Company's subsidiaries were incorporated under PRC law. As a substantial part of the Group's businesses are conducted in the PRC, their operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to develop a comprehensive system of commercial law. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and their non-binding nature, interpretation of PRC laws and regulations will involve a degree of uncertainty. Hence, there is an inherent risk that enforcing its rights as a shareholder in the PRC subsidiaries, the Company's rights and protection under the PRC legal system may be limited.

Changes in foreign exchange regulations and future movements in the exchange rate of Renminbi may adversely affect the results of operations and financial condition of the Group and the Group's ability to pay dividends

The Group currently records a substantial part of its revenues in the PRC in Renminbi. Conversion of Renminbi is under strict government regulation in the PRC. Current foreign exchange regulations have already significantly reduced the government's foreign exchange control on routine transactions under the current account, including trade and service related foreign exchange transactions and payment of dividends. Under the existing foreign exchange regulations in the PRC, following completion of the Global Offering, the Company's subsidiaries will be able to pay dividends in foreign currencies without prior approval from the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, there is no assurance that these foreign policies regarding payment of dividends in foreign currencies will continue in the future.

The value of the Renminbi may fluctuate due to a number of factors. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and US dollars, has been based on the rate set by the PRC's central bank, the People's Bank of China. Since 1994, the official exchange rate for the conversion of Renminbi to US dollars has generally been stable. As of 21 July 2005, Renminbi would no longer be pegged to the US dollar but to a basket of currencies. On 21 July 2005, this revaluation resulted in the Renminbi appreciating against the US dollar and the Hong Kong dollar by approximately 2%. Although currently the Renminbi exchange rate versus the US dollar is restricted to a rise or fall of no more than 0.3% per day and the People's Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the Renminbi may appreciate or depreciate significantly in value against the US dollar and/or Hong Kong dollar in the medium to long-term. Moreover, it is possible that in the future, the PRC authorities may lift restrictions on fluctuations in the Renminbi exchange rate and lessen intervention in the foreign exchange. Therefore, any fluctuation in exchange rate or any shortage of foreign currency may have an adverse impact on the export business, operating costs and financial conditions of the Group.

In addition, since the income and profit of some of the members of the Group are denominated in Renminbi, any decrease in the value of Renminbi would adversely affect the value of, and dividends, if any, payable on, the shares in the PRC subsidiaries of the Company to the Company in Renminbi. As the Company's ability to pay dividends depends on the ability of its subsidiaries to pay dividends to the Company, any shortage in the dividends the Company receives from its PRC subsidiaries will affect the Company's ability to pay dividends to its shareholders. In addition, any increase in the value of the Renminbi would cause imported products which compete with those of the Group to be relatively less expensive for Chinese consumers.

RISK FACTORS

Fluctuation of the US dollar, Japanese Yen, Renminbi, GBP or Euro relative to the Hong Kong dollar could adversely affect the Group's financial condition and results of operations

Most of the products distributed by the Group are imported, mainly from Europe, Japan and the United States of America and such other foreign countries. The costs of such imported products are mainly denominated in Euro, Japanese Yen, Renminbi, British Pounds Sterling and US dollars. During the period covering the three financial years ended 31 December 2006 and the six months ended 30 June 2007, approximately 51.2%, 86.9%, 79.6%, 84.9% of the Group's total sales, purchases, cash and deposits and borrowings, respectively, are denominated in currencies other than the Hong Kong dollar. In the past several years, the values of the Japanese Yen and the Euro have increased against the Hong Kong dollar and the Renminbi, making the cost of financing and the purchase of the products, raw materials and components more expensive for the Group. While Hong Kong Government has continued to support a pegged value at approximately HK\$7.75 = US\$1.00, there can be no assurance that its policies will remain unchanged. If the values of other foreign currencies increase, or continue to increase (as the case may be), against the Hong Kong dollar and the Renminbi in the currency markets, then the cost of financing and the purchase of the products will become more expensive for the Group, and as a result, the Group's financial condition and results of operations may be adversely affected. The Group engages in hedging activities from time to time to reduce its exposure against foreign currency fluctuations. However, the Company could potentially be exposed to losses arising from the non-performance of the counterparties to such hedging transactions.

An outbreak of the H5N1 strain of bird flu (Avian Flu), SARS or any other similar epidemics may, directly or indirectly, adversely affect the Group's operating results

Recently, certain Asian countries, including the PRC and Hong Kong, have encountered incidents of Avian Flu. This disease, which is spread through poultry populations, is capable in certain circumstances of being transmitted to humans and could be fatal. If any of the Group's employees are identified as a possible source of spreading Avian Flu or any other similar epidemic, the Group may be required to quarantine the employees that have been suspected of becoming infected, as well as others that have come into contact with those employees. The Group may also be required to disinfect its affected food processing centres, which could cause a temporary suspension of its food processing activities, thus adversely affecting its operations. In addition, any outbreak of the Avian Flu may result in consumers refraining from eating poultry, which is one of the main food products distributed by the Group, causing the Group's sales turnover to be affected, which in turn affects the Group's profits. An outbreak of Avian Flu or other similar epidemic, whether inside or outside Hong Kong and the PRC, could slow down or disrupt imports and exports activities and/or restrict the level of economic activity generally, which could in turn adversely affect the operations of the Group.

Beginning in early 2003, Hong Kong and certain other regions experienced an outbreak of SARS. A future outbreak may disrupt the Group's ability to adequately staff the Group's business, and may generally disrupt the Group's operations. If any of the Group's employees is suspected to have contracted SARS, the Group may under certain circumstances be required to quarantine such employees and the affected areas of the Group's premises. As a result, the Group may have to temporarily suspend part of or all of the Group's operations. Furthermore, any future outbreak may restrict the level of economic activity in affected regions, including Hong Kong, which may also adversely affect the Group's business and prospects. As a result, the Group cannot assure that the recent outbreak and any future outbreak of SARS would not have an adverse effect on the Group's financial condition and results of operations.

RISK FACTORS

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for the Shares and liquidity and the trading price of the Shares may be volatile

An active trading market for the Shares may not develop and the trading price of the Shares may fluctuate significantly. Prior to the Global Offering, there has been no public market for the Shares. The Offer Price range has been determined through negotiation between the Company and the Global Coordinator (on behalf of the Underwriters) and the final Offer Price may not be indicative of the price at which the Shares will be traded following the completion of the Global Offering. In addition, there can be no assurance that an active trading market for the Shares will develop, or, if it does develop, that it will be sustained following completion of the Global Offering, or that the market price of the Shares will not decline below the Offer Price.

The trading price of the Shares may also be subject to significant volatility in response to, among others, the following factors:

- variations in the Group's operating results;
- changes in the analysis and recommendations of securities analysts;
- announcements made by the Group or its competitors;
- changes in investors' perception of the Group and the investment environment generally;
- developments in the motor vehicle, food and consumer products, and logistics industries;
- changes in pricing made by the Group or its competitors;
- the liquidity of the market for the Shares; and
- general economic and other factors.

Unpredictability of the Group's periodic results may adversely affect the trading price of its Shares

The Group's revenue and operating results may vary significantly from period to period due to a number of factors, some of which are outside the Group's control. Some of these factors include:

- fluctuation in demand for the Group's services;
- introduction of new or better technologies and services or lower prices by the Group's competitors;
- changes in pricing policies, particularly in response to aggressive pricing by the Group's competitors;
- the Group's ability to introduce, develop and deliver products and services that meet customers' requirements in a timely manner;
- abnormally high marketing expenses associated with new services; and
- general global, regional or local economic conditions, in particular for Hong Kong and China.

RISK FACTORS

Due to the foregoing factors, the Directors believe that period-to-period comparisons of the Group's operating results are not a good indication of its future performance and should not be relied upon. It is likely that the Group's operating results in some periods will be below the expectations of public market analysts and investors. In this event, the trading price of the Shares may decline, perhaps significantly more in percentage terms than the decline in the Group's operating results.

Purchasers of the Shares may experience dilution if the Company issues additional Shares in the future

In order to expand its business, the Company may consider offering and issuing new Shares in the future which may cause dilution in the net tangible asset value per Share and the shareholdings of the then Shareholders.

Potential dilution effect on shareholdings in the event of exercising of share options

The Company has adopted the Post-IPO Share Option Scheme, particulars of which are summarised under the paragraph headed "10. Post-IPO Share Option Scheme" in Appendix VI to this Prospectus. The Company has also adopted Pre-IPO Share Option Scheme, under which options entitling the holder thereof to subscribe for an aggregate of 18,000,000 Shares have been granted, representing approximately 1% of the Company's total issued share capital immediately following completion of the Global Offering. Any exercise of the options granted under the Pre-IPO Share Option Scheme or options to be granted under Post-IPO Share Option Scheme will result in a dilution in the earnings per Share and net asset value per Share. Assuming that all the options granted under the Pre-IPO Share Option Scheme are exercised in full, the forecast combined profit attributable to equity shareholders of the Company will be decreased by HK\$22.3 million based on the Offer Price of HK\$5.22. For details, please refer to the paragraph headed "Profit Forecast for the year ending 31 December 2007" in the "Summary" and "Financial information" sections, respectively of this Prospectus.

Under the HKFRSs, the costs of share options granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme will be charged to the Group's income statement by reference to the fair value at the date at which the share options are granted. As a result, the Group's profitability may be adversely affected.

Sales of substantial amounts of Shares in the public market may materially and adversely affect the prevailing market price of the Shares

Immediately upon completion of the Global Offering, CITIC Pacific will indirectly hold 56.6% (assuming the Over-allotment Option is not exercised) or approximately 50.1% (assuming the Over-allotment Option is exercised in full) of the Company's Shares. CITIC Pacific is disposing approximately 43.4% (assuming the Over-allotment Option is not exercised) or approximately 49.9% (assuming the Over-allotment Option is exercised in full) of the Company's Shares which represents a significant portion of the Global Offering from the existing Shares by CITIC Pacific. The Shares held by CITIC Pacific may be sold in the public market pursuant to, and subject to the restrictions of the Listing Rules, the securities laws of certain jurisdictions and contractual lock-up restrictions, details of which are set out in the section headed "Substantial Shareholders" in this Prospectus. While the Group is not aware of any plans of CITIC Pacific to dispose of a significant amount of its Shares after completion of the Global Offering, the Group cannot provide any assurance that CITIC Pacific will not dispose of any of its Shares upon or after expiration of the applicable lock-up period. Sales of substantial amounts of Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of the Shares.

RISK FACTORS

Forward-looking information included in this Prospectus may not be accurate

This Prospectus contains certain forward-looking statements and information relating to the Group, that are based on the beliefs of the Group's management as well as assumptions made by and information currently available to its management. When used in this Prospectus, the words "anticipate", "believe", "consider", "could", "expect", "going forward", "intend", "may", "plan", "seek", "will", "would", and similar expressions, as they relate to the Group management, are intended to identify forward-looking statements. Such statements reflect the current views of the Group's management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the other risk factors described in this Prospectus. The risks and uncertainties which could affect the accuracy of forward-looking statements including, but are not limited to, the following:

- future financial position of the Group;
- business prospects of the Group;
- future debt levels and capital needs of the Group;
- strategy, plans, objectives and goals of the Group;
- general economic conditions;
- changes to regulatory and operating conditions in the market in which the Group operates;
- the Group's ability to reduce costs;
- capital market developments;
- the actions and developments of the Group's competitors;
- certain statements in the section headed "Financial information" in this Prospectus with respect to trends in prices, results, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this Prospectus that are not historical fact.

Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, the Group's financial performance could be materially and adversely affected.

The Group's controlling shareholder may take actions that conflict with the Group's public shareholders' best interests

On completion of the Global Offering, CITIC Pacific will indirectly hold 56.6% (assuming the Over-allotment Option is not exercised) or approximately 50.1% (assuming the Over-allotment Option is exercised in full) of the Company's Shares.

CITIC Pacific has given a non-compete undertaking in respect of the restricted activities, being the current business of the Group. However, in circumstances involving a conflict of interest which is not covered under the non-compete undertaking, given CITIC Pacific is a listed company and has to account to the best interests of its shareholders, the Group cannot ensure that CITIC Pacific will not act in a manner that would benefit CITIC Pacific to the detriment of the other Shareholders of the Company.

RISK FACTORS

In addition, the Group has been granted the right to use the trademark of CITIC Pacific. As such, any event that may be negative in relation to CITIC Pacific may, through the Group's association with, or its use of, CITIC Pacific's trademark, also adversely affect the Group.

Following the Global Offering, CITIC Pacific's equity interests in the Group will be reduced. With the independent operation of the Group from CITIC Pacific and the separate listing, the Group may lose some of the "marketing and propaganda convenience" which it previously enjoyed as a wholly-owned subsidiary of CITIC Pacific such as the enormous financial resources supports from CITIC Pacific which is a public listed company and CITIC Pacific's vast connections and successful business experiences in the PRC, and be more delineated from CITIC Pacific.

No guarantee of the accuracy of facts, forecasts and other statistics derived from the official government publication with respect to the PRC's economy contained in this Prospectus

Certain facts, forecasts and other statistics in this Prospectus relating to the PRC's economy have been derived from various official government publications. The Directors and the Sponsor have exercised reasonable care in reproducing such facts, forecasts and statistics. However, the quality or reliability of such source materials cannot be guaranteed. They have not been prepared or independently verified by the Group, the Sponsor, the Underwriters or any of their respective directors, affiliates or advisers and therefore the Group makes no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the official 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, forecasts or statistics.

Prospective investors should not place any reliance on any information contained in the press coverage regarding the Group and the Global Offering

Before or after the publication of this Prospectus, there has been or will be press coverage regarding the Group and the Global Offering containing certain financial information, financial projections and other information referring to the Group that is not set out in this Prospectus. The Group wishes to emphasise to prospective investors that neither the Company, the Directors, the Selling Shareholder, the Sponsor, any of the parties involved in the Global Offering (collectively, the "Relevant Parties") nor any of the Underwriters has authorised the disclosure of any such information in the press, and neither such press coverage, nor any repetition, elaboration or derivative work was prepared by, sourced from, or authorised by the Group, the Selling Shareholder or any of the Underwriters. Neither the Company, the Selling Shareholder, any of the Relevant Parties nor any of the Underwriters accepts any responsibility for any such press 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. To the extent that any such information is not contained in this Prospectus or is inconsistent or conflicts with the information contained in this Prospectus, the Group disclaims any responsibility and liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making decision as to whether to subscribe for the Offer Shares. Prospective investors should rely only on the information contained in this Prospectus.