Forefront Int'l Holdings Ltd.

- ➔ Established distributor of quality commercial vehicles in Taiwan, Hong Kong and China.
- ➔ Good growth prospects for commercial vehicle sales in the Greater China region, particulary in the PRC, as transport is critical to economic growth.
- ➔ Revenues will come from the sale of vehicles and value-added services to owners of vehicles. These services promote customer loyalty and provide competitive advantages.

IPO

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28 May 2001

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Content Summary

Investment Highlights

- **Forefront International Holdings (FIL)** has been well established for many years as a distributor of quality commercial vehicles and parts produced by **Scania** in Taiwan and Hong Kong. It also distributes the same products in the fast growing PRC market, providing the company with a good base of reliable revenues in Taiwan and Hong Kong and good growth prospects in the PRC.

- **The transport sector is vital to every economy and often grows parallel to economic growth.** In a fast growing and rapidly urbanising and industrialising country such as China, the transport sector grows even faster than the economy. FIL, a distributor of quality heavy vehicles in China, is well positioned to take advantage of the growth in the transport sector in China.

- **Upon China's entry to the World Trade Organisation (WTO), widely expected in the next twelve months,** tariffs on imported trucks are scheduled to come down substantially, and this will help distributors of imported vehicles and vehicle parts.

- **Customers of heavy vehicles often require financing.** After China's entry to the WTO, the financial industry will also be liberalised, and this will help FIL to use its consumer financing arms to increase its sales in China.

- **Since heavy vehicles often travel in rugged terrain in countries such as China,** the delivery of passengers and goods on time in such situations depends upon the proper servicing of vehicles and prompt delivery of spare parts. FIL, which has built a network of service centres in the countries in which it operates, is in a good position to provide these critical services and retain customer loyalty.

- **With an experienced management team that has decades of experience in the distribution of heavy vehicles in the Greater China[*] region** and in the business culture of emerging markets such as China, FIL will be able to fully exploit the new opportunities and execute its plans for growth well.

[*] *In this report the words "Greater China" is used to describe the region that includes the People's Republic of China, Taiwan, Hong Kong and Macau.*

1. Introduction

Forefront International Holdings Ltd. (FIL) is mainly engaged in the distribution and sale of heavy commercial vehicles in the Greater China region. The Group has the exclusive distribution rights for Scania trucks, tractors, coach chassis and buses, as well as the spare parts and accessories for these vehicles in the Greater China region.

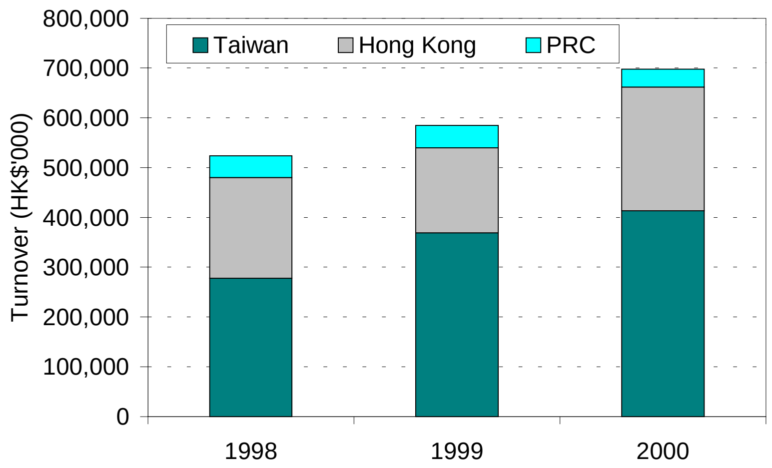
Scania, which was the second largest truck brand in Western Europe in 2000, and which has been marketed in Greater China since 1966, is the Group's largest supplier.

The Group also provides after-sales services, including repair and maintenance services and the sale of spare parts and accessories, for Scania vehicles operating in this region. At present, the Group has eight self-operated service centres, including a newly opened service centre in Yuen Long, Hong Kong. FIL also operates three spare parts centres, eleven authorised service centres and a joint venture workshop located in Taiwan, Hong Kong and the PRC.

FIL owns and operates a subsidiary company, U-Drive Company Limited (U-Drive), which was incorporated in March 2000. U-Drive intends to provide its members with various motor-related services and benefits, including discounts or rebates on fuel and tyres. U-Drive will also provide vehicle repair and maintenance services as well as insurance, financing and fleet management services.

In recognition of the Group's continued efforts in maintaining product and service quality, its Hong Kong operating subsidiaries received two ISO 9002 accreditations in 2000. FIL was cited for attaining high standards in the following areas: repair and maintenance of vehicles, supply of spare parts for vehicles and repair services for vehicles.

Turnover of the Forefront Group (by Geographical Area of Operation)



Source: Worldsec

2. Future Plans and Prospects

As the exclusive distributor of Scania vehicles and parts in the Greater China region, the Group is well positioned to take advantage of the rapid growth of the economies in this region, particularly that of Mainland China.

Given the quality and reputation of Scania vehicles and products, FIL will benefit from the expected future growth in demand for and upgrading of heavy commercial vehicles in these markets, particularly in the PRC.

China is a particularly good market for vehicles, as the highway system as well as trade and transport has been expanding rapidly there. Internal tourism, which largely relies on buses, is also on the rise. Cargo volume in other transport activities is expected to continue to increase after China's accession to the World Trade Organisation (WTO).

Sales and Marketing

The Group is well positioned to benefit from the potential growth of the heavy commercial vehicle market in the Greater China region, due to:

- The brand name recognition and quality of Scania vehicles, which is a big asset to the Group. Scania's modular system of manufacturing allows its vehicles to be customised in such a way that they can be adapted to the local market environment.
- The ability of the Group to provide quality after-sales services through a network of service centres easily accessible by its customers.
- The Group also distributes commercial vehicles in Macau. While the Macau market itself is small, a presence in Macau is important to expand into the Chinese region bordering Macau, which has a large industrial area and fast growing market for commercial vehicles.

It is expected that China's accession to the WTO will stimulate trading activities, and hence cargo and container transport activities, thereby increasing the demand for heavy commercial vehicles in China.

The continuous development and improvement of the highway system in China will create demand for upgrading commercial vehicles and enable Scania products to compete more effectively, given the quality of such products which emphasise on, for example, performance, durability, low fuel consumption and ergonomic design. The Group's long-term strategy in the PRC is to develop a network of service centres in selected regions.

Expansion of Customer Financing

As some of the Group's customers require financing for their purchase of its vehicles, FIL facilitates this process by either providing the financing itself or by introducing its customers to financing companies that are able to offer financing for the type of vehicles they have ordered from the Group in Hong Kong. The vehicle financing arm of the Group in Hong Kong is Forefront Finance Co. Limited. The Group intends to expand the financing capabilities of Forefront Finance Co. Limited.

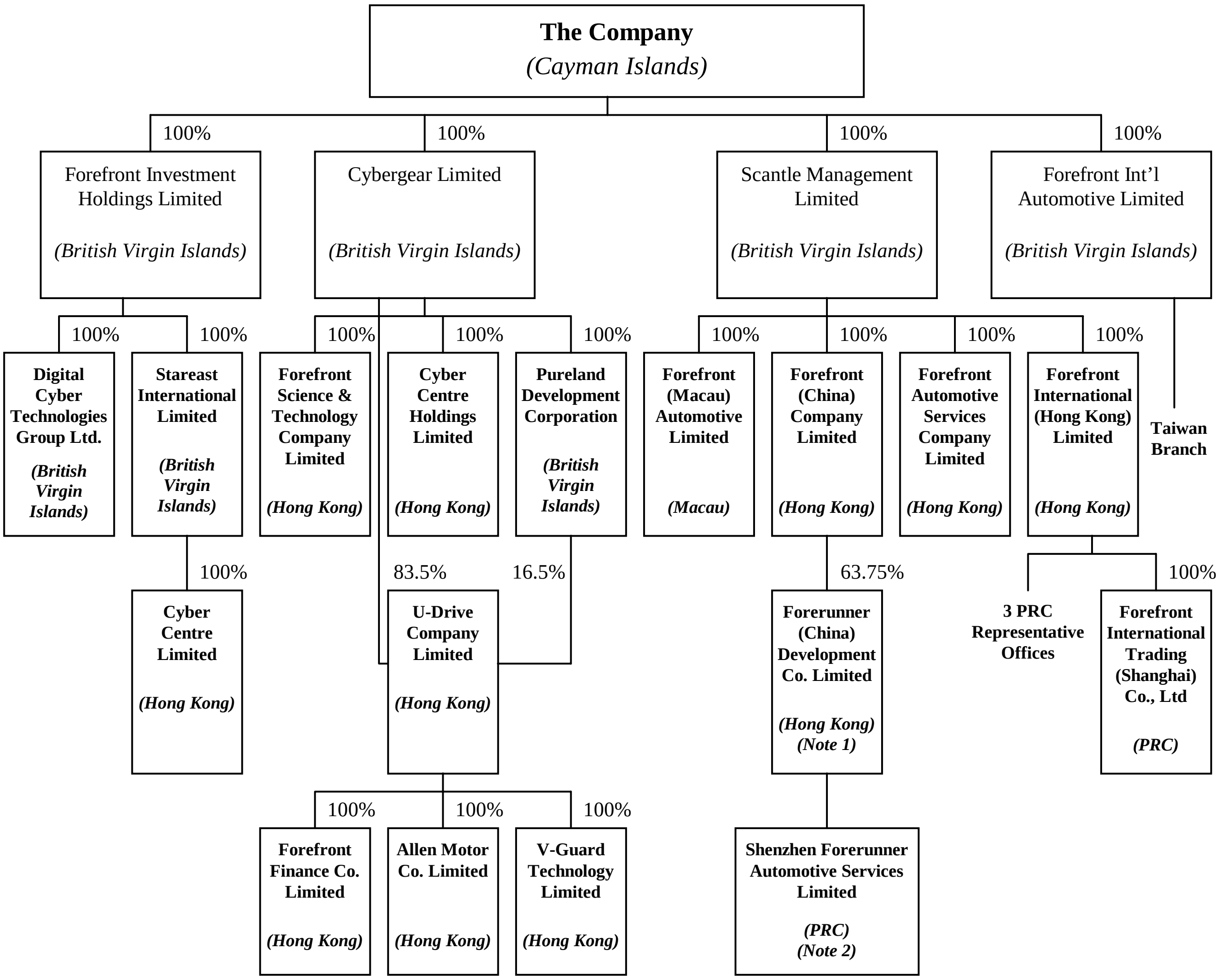
The liberalisation of the provision of automotive financing by non-bank financial institutions in the PRC, upon its accession to the WTO, will facilitate the growth of the heavy commercial vehicle market in the PRC. The growth potential is currently dampened by the lack of credit facilities. Should such liberalisation occur, the Group may provide financing to its customers itself for their purchase of vehicles or it may introduce its customers to financing companies that are able to offer such financing in the PRC.

Expansion of U-Drive

The Group plans to expand the chain services of U-Drive, and to launch U-Drive in Taiwan in late 2001 and in the PRC after its accession to the WTO. U-Drive's chain services will complement the Group's current business and enable FIL to diversify its scope of business and enlarge its base of recurrent earnings.

Experience in other markets indicate that as the volume of commercial vehicles in operation increases, revenues from supporting service companies such as U-Drive tend to increase very quickly. This is because the owners of vehicle fleets have a vested interest in keeping the vehicles on the road as long as possible and operating at optimal levels. Such a strategy can only work with intensive service support in the form of maintenance, spare parts and repair.

3. Group Background and Structure

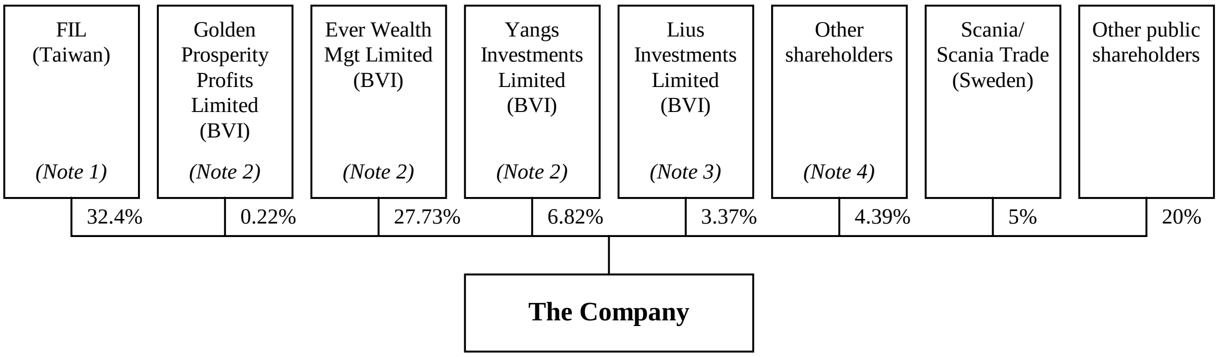


Notes:

1. The remaining 36.25% of the issued share capital of Forerunner (China) Development Co. Limited is beneficially owned by Shenzhen Sinotrans & Transportation Co. Ltd.

2. The remaining 20% of the registered capital of this joint venture company is beneficially owned by Shenzhen Lianzhonghe Industrial Co. Ltd.

Group Structure after the Share Offer: Assuming Over-Allotment Option is not Exercised



Notes:

1. The issued share capital of FIL is beneficially owned as to 81.75% by Mr. Yang Kwn San, the Honorary Chairman of the Group, and his family members, including Mr. Yang Chien, Allen, an executive Director (together the "Yang family"), as to 7.92% by Mr. Liu Chen Wei, Jerry, the Chairman of the Group and an executive Director, and his family members and as to the remaining 10.33% by 14 persons comprising of employees of FIL and Forefront International Automotive Limited and ex-employees of FIL and their family members.
2. The entire issued share capital of these companies is beneficially owned by the Yang family.
3. The entire issued capital of Lius Investments Limited is beneficially owned by Mr. Liu Chen Wei, Jerry.
4. The other shareholders of the Company consist of 14 persons comprising of employees of FIL and Forefront International Automotive Limited and ex-employees of FIL and their family members.

Taiwan Vehicle Market

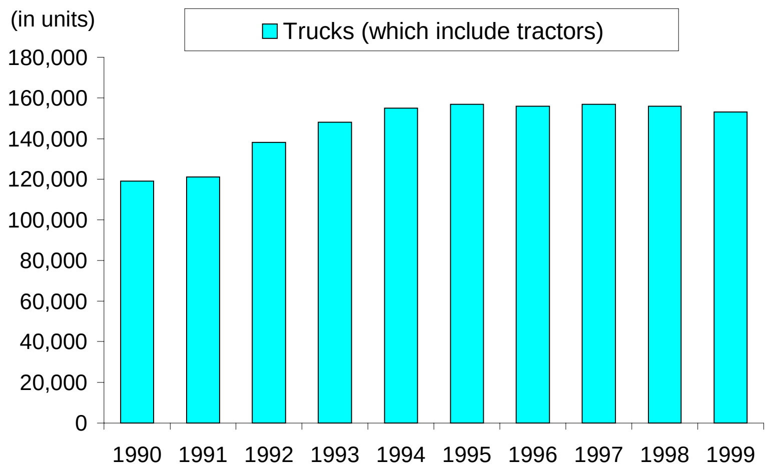
Since the 1970s, the heavy commercial vehicle market has witnessed a trend of globalisation and consolidation. The market, which was once dominated by more than 20 Western European manufacturers and more than 10 North American and Japanese manufacturers in the 1970s, is now dominated by about 10 European, Northern American and Japanese manufacturers. Furthermore, a number of such Japanese manufacturers are associated companies of the European manufacturers. Scania, which was founded in 1891 in Sweden, is one of the oldest established heavy commercial vehicle manufacturers in the world, and was the second largest truck maker in Western Europe in 2000.

The Group's key competitors for the heavy commercial vehicles it distributes are mainly the other European and Japanese manufacturers. The Japanese manufacturers have traditionally enjoyed a competitive advantage, by virtue of their proximity to the markets in which FIL operates, and have therefore been able to offer relatively more competitive prices.

Notwithstanding the difference of higher initial acquisition costs for Scania products, the Group intends to compete principally on the basis of:

- ➔ The quality of its products, which are well recognised in the market.
- ➔ Its ability to provide quality after-sales services to its customers.
- ➔ Its unique position as the only exclusive distributor of Scania vehicles in the Greater China market.

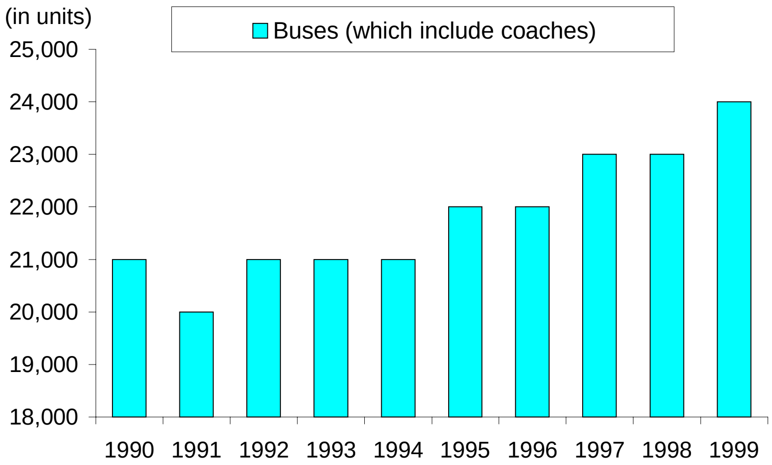
Market for Trucks and Tractors in Taiwan



Source: Institute of Transportation of Ministry of Transportation and Communications of Taiwan

As illustrated by the chart above, the market for trucks and tractors in Taiwan has been relatively stable and mature. Demand for new trucks and tractors in such a market will therefore be driven mainly by replacement needs. The Group's directors believe that as customers become more conscious of valuing overall performance costs on a per kilometre basis, the Group will be better positioned to capture a larger share of its existing market.

Market for Buses and Coaches in Taiwan



Source: Institute of Transportation of Ministry of Transportation and Communications of Taiwan

As illustrated by the chart above, the market for buses and coaches in Taiwan has also been relatively stable. Demand for buses and bus chassis, which place particular emphasis on passenger comfort and which cater for the special needs of passengers with disabilities by way of their low-floor step design, will increase in the future, as a result of:

➔ The proposed deregulation of the public transport market in Taiwan.

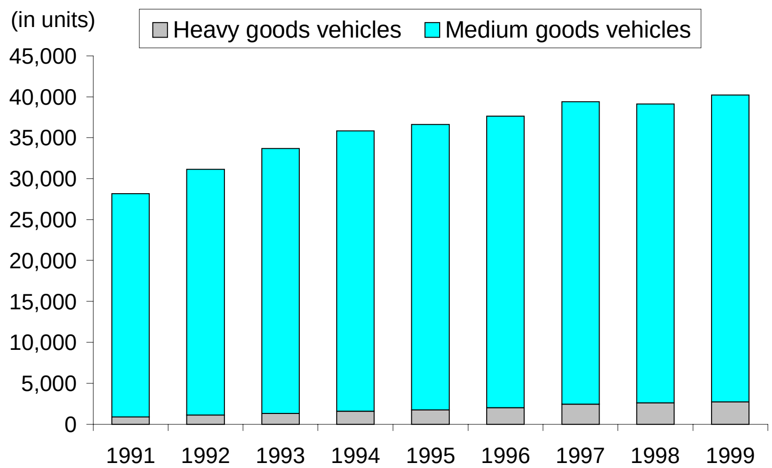
➔ The Taiwan government's focus on the provision of improved transportation service, in terms of quality, to elderly and handicapped persons.

➔ The proposed reduction in tax and discounted fare burdens on bus operators in order to enable them to finance the acquisition of new buses.

Hong Kong Vehicle Market

As shown by the following chart, the number of total registrations trucks and tractors in Hong Kong from 1990 to 1999 increased from 25,665 units, in aggregate, to 40,243 units, in aggregate, representing a compound annual growth rate of about 4.6%.

Total Registered Trucks and Tractors in Hong Kong



Source: Census and Statistics Department, Hong Kong

The market for new trucks and tractors in Hong Kong is dominated by Japanese brands, primarily due to the price differential between European and Japanese brands. However, given the quality of Scania vehicles, such vehicles are favourably regarded by its customers and are able to compete effectively in terms of performance.

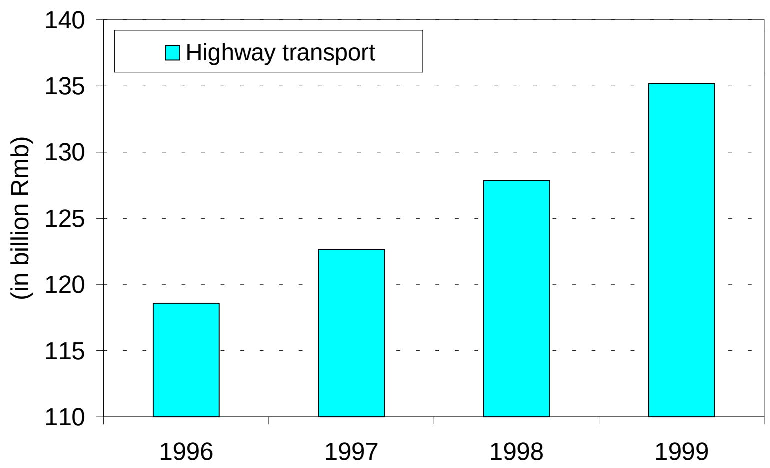
The PRC Vehicle Market

It is expected that when the PRC joins the WTO, import tariffs on trucks, tractors, buses and coaches imported from the US will be gradually reduced over a period of seven years to between 4% and 25%, depending on the type of vehicle. It is also expected that import tariffs on spare parts and components will be reduced to between 6% and 25% over a period of four years.

Transportation Infrastructure

In the past seven years, there has been a significant increase in the development of the PRC's transportation infrastructure. The primary modes of transport of road, rail, air and waterway have all been expanded to meet the needs of increasing freight and passenger demand. The following chart contains information on investment in capital construction of such modes of transport in the PRC from 1993 to 1999.

Investment in Capital Construction of Highway Transport

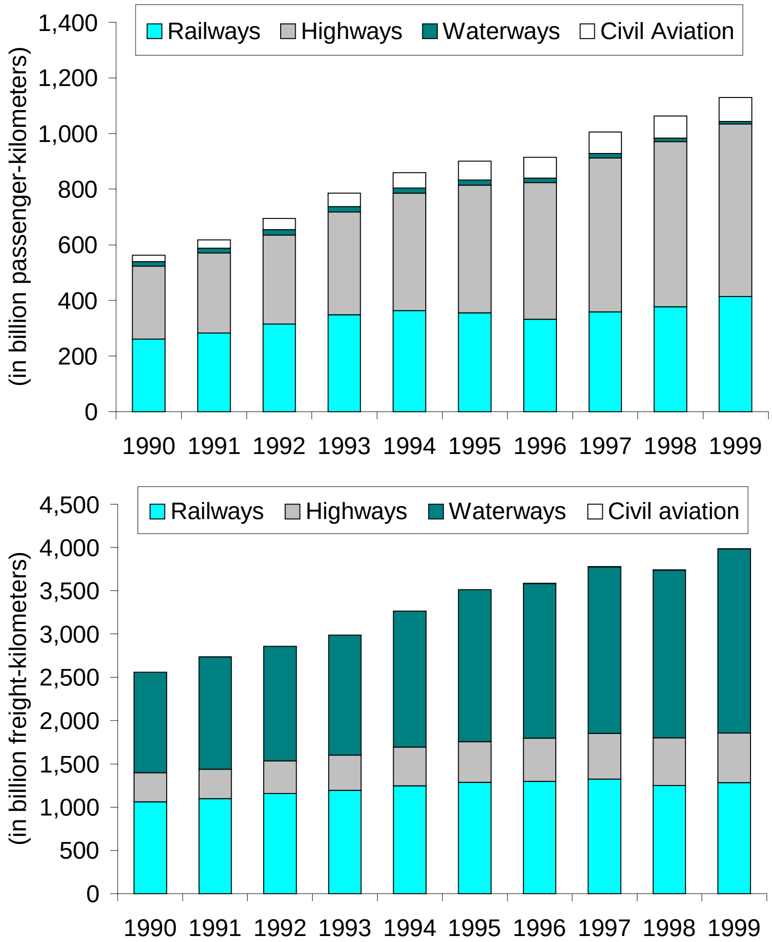


Source: China Statistical Yearbook 1994, 1995, 1996, 1997, 1998, 1999 and 2000

As shown by the chart above, the investment in capital construction of highway transport in the PRC increased from about Rmb2.6bn in 1993 to about Rmb112.8bn in 1999. As the demand for trucks and tractors sold by the Group in growing markets, such as the PRC, is closely related to the development of roads and highways, which permits such vehicles to travel at higher speeds and to carry heavier loads, the Group's directors believe that the demand for such vehicles will increase in future.

During the same period, freight traffic using China's road network, as measured by freight tonne-kilometres (i.e., the sum of the products of the tonnage of freight multiplied by the distance travelled), increased from about 336bn to about 572bn freight tonne-kilometres, representing a compound annual growth rate of about 6.1%. The following charts contain information on freight traffic, as measured by freight tonne-kilometres, in different modes of transport in the PRC during the period.

Freight Traffic in Different Modes of Transport in the PRC



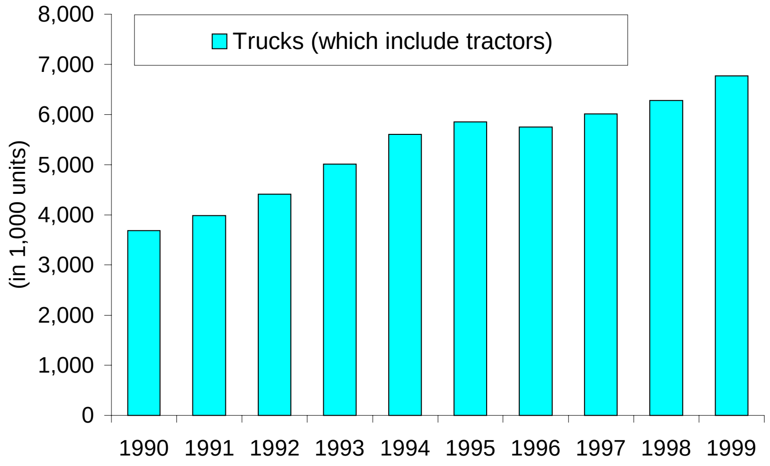
Source: China Statistical Yearbook 2000

It is expected that there will be an increase in trading activities, and hence cargo and container transport activities, upon China's accession to the WTO. Foreign and domestic companies are also expected to create better transportation networks to improve distribution and logistics capabilities to ensure that their goods are delivered in an efficient manner.

Trucks and Tractors

The market for trucks and tractors in the PRC has experienced substantial growth over the past ten years. Such an increase was fuelled by economic reforms and a corresponding increase in the country's real gross domestic product, which more than doubled in the past ten years. The number of trucks (which includes tractors) in service in the PRC increased from about 3.7mn in 1990 to about 6.8mn in 1999, representing a compound annual growth rate of about 7%. The following chart contains information on the ownership of trucks (which includes tractors) in the PRC from 1990 to 1999.

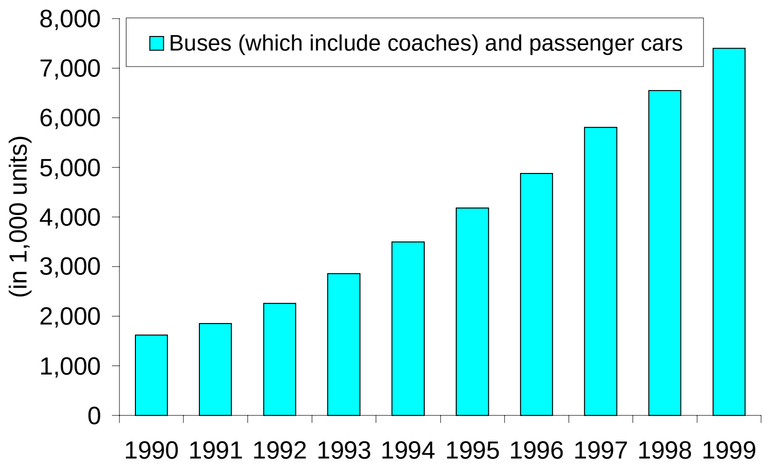
Ownership of Trucks in the PRC



Source: China Statistical Yearbook 2000

The growth in demand for trucks and tractors will continue as the PRC government attempts to tackle the country's transportation bottlenecks and as companies operating in the PRC establish more sophisticated distribution and logistics networks. Such growth will be further stimulated by the expected increase in cargo/container transport activities, as a result of the expected increase in trading activities upon China's accession to the WTO.

Ownership of Buses in the PRC



Source: China Statistical Yearbook 2000
Note: The information contained in the above chart also includes statistics on the ownership of passenger cars, which is not related to the Group's business.

4. Benefits of China's WTO Entry

At present, the PRC is still seeking entry to the World Trade Organisation (WTO), and this may open up more opportunities for foreign companies with respect to the importation and sale of goods and the provision of services in general.

As discussed previously, it is expected that when China joins the WTO, import tariffs on trucks, tractors, buses and coaches imported from the US will be gradually reduced over a period of eight years to between 4% and 25%, depending on the type of vehicles, and that import tariffs on spare parts and components will be reduced to between 6% and 25% over a period of four years.

5. Business History and Development

Mr. Yang Kwn San, the Honorary Chairman of the Group, and Mr. Liu Chen Wei, Jerry, the Chairman of the Group, co-founded Forefront International Holdings Ltd (FIL) in 1980. The business, as currently conducted by the Group, commenced in 1982 when FIL was first appointed as the exclusive distributor of Scania's predecessor, Saab-Scania Aktiebolag in Taiwan. In the same year, FIL opened its first self-operated service centre in Taipei.

In 1986, a strategic decision was made by FIL to expand its operations into other markets. In that year, two companies, namely, Paciera Thailand Ltd. and Paciera (Hong Kong) Co., Ltd., were incorporated to develop the Thai and PRC markets, respectively. These two companies were appointed as Scania's distributors in Thailand and the PRC (excluding the Guangdong and Hainan provinces) in 1986 and 1989, respectively.

In the following years, FIL continued to expand its network of self-operated service centres in Taiwan and continued to explore its potential sales and marketing network in the PRC, through Paciera (Hong Kong) Co., Ltd.

In 1993, the Group obtained the exclusive distribution rights for Scania trucks, tractors, coach chassis and buses, as well as spare parts and accessories for such vehicles in Hong Kong and the PRC (excluding the Guangdong and Hainan provinces). In the same year, the Group started to act as Scania's exclusive distributor in Hong Kong.

In April 2000, the Group entered into four separate distribution agreements with Scania in respect of its Scania distributorship business in Taiwan, Hong Kong, the PRC and Macau, respectively. In addition to the exclusive distribution rights in respect of Scania trucks, tractors, coach chassis and buses as well as spare parts and accessories for such vehicles in Taiwan and Hong Kong, the Group also secured such exclusive distribution rights for the entire PRC market (i.e., including Guangdong and Hainan provinces in the PRC) and for the Macau market.

The Group's business initiatives in 2000 included the expansion of its operations into Macau, which, the directors believe, will enable it to be better positioned to tap the PRC market, and the introduction of a new concept, U-Drive.

6. Business Overview

The principal business activity of the Group is the distribution and sale of heavy commercial vehicles in the Greater China region. The Group's administrative headquarters are located in Hong Kong. It has exclusive distribution rights for Scania trucks, tractors, coach chassis and buses, as well as spare parts and accessories for such vehicles in the Greater China region.

Products

The Group specialises in the distribution of Scania trucks of above 16 tonnes GVW (Gross Vehicle Weight) and tractors of above 35 tonnes GCW (Gross Combined Weight). These trucks and tractors come in a range of models, ranging from those which are designed for good road conditions (for example, normal highways) to those which are designed for tough operation on poor road conditions (for example, construction operations).

Scania

Scania is the Group's largest supplier. It accounted for about 56.7%, 68.0% and 85.5% of the Group's total purchases for the three years ended 31 December 2000, respectively.

Scania was founded in 1891 in Sweden and was the second largest truck brand in Western Europe in 2000. In 2000, Scania's products were sold in about 100 markets, and about 95% of its products were sold outside of Sweden. Scania's Greater China representative office is located in Hong Kong, in which the Group's administrative headquarters are based.

In 1996, the shares of Scania's holding company, Scania Aktiebolag, were listed on the Stockholm Stock Exchange and the New York Stock Exchange, making it the first Swedish company to be listed on the New York Stock Exchange.

The Group's relationship with Scania started in 1982, when FIL was first appointed as the exclusive distributor of Scania's predecessor, Saab-Scania Aktiebolag, in Taiwan. At present, the Group is the exclusive distributor of Scania trucks, tractors, coach chassis and buses, as well as spare parts and accessories for these vehicles in the Greater China region.

The Group entered into four separate distribution agreements with Scania in April 2000 in respect of its Scania distributorship business in Taiwan, Hong Kong, the PRC and Macau, respectively. All such agreements are on identical terms. The agreements were entered into between Scania and the Group in April 2000 for two years, and will be automatically renewed for successive two-year terms unless terminated by either party by written notice of at least twelve months to expire on the last day of the relevant two-year term.

Scania adopts a modular system that focuses on the standardisation and minimisation of the number of components required for the manufacture of various types of heavy commercial vehicles. Scania believes that this system provides greater flexibility in vehicle design and therefore better equips it to manufacture vehicles that are tailor-made to satisfy customer specifications and operational requirements. The expected increase in the number of features offered by this system will widen the product range of Scania products and in turn further improve the Group's competitiveness in the markets in which it operates.

Being based in the European Union, vehicles manufactured by Scania also satisfy the safety and environmental standards imposed by the European Union, which are fairly advanced compared to those adopted in the markets in which the Group operates, as well as the safety and environmental standards imposed by the other markets in which Scania's products are marketed.

Customer Base

Based on the contribution to the Group's turnover in previous years, the majority of its customers are fleet purchasers and driver-owners of trucks and tractors. The rest of the Group's customers mainly comprise of tour operators, which operate inter-city and intra-city routes and which purchase coaches or coach chassis from the Group. The Group also supplies coaches to cross-border transport companies in Hong Kong and Macau, and plans to supply buses to franchised public bus operators in Hong Kong.

Customer Financing

Some of the Group's customers require financing to purchase its vehicles. In order to facilitate this process, the Group provides the financing itself or introduces its customers to financing companies that are able to offer financing for the type of vehicles that such customers have ordered from the Group in Hong Kong.

After-Sales Services

Scania vehicles are tailor-made based on a modular system according to customer specifications in different countries. The Group's after-sales services departments in Taiwan and Hong Kong conduct pre-delivery inspections of each new vehicle in order to ensure that it meets the relevant customer specifications and to maintain product quality. A pre-delivery inspection typically covers specification checks on the vehicle, including the interior equipment, exterior and inspections required by the governments of the relevant jurisdictions.

The Group's directors believe that the provision of quality after-sales services is very important for its customers' perception of the Group's image as well as the Scania brand name. This is achieved through:

➔ A network of service centres that are easily accessible by the Group's customers.

➔ Minimising the amount of time required to carry out repair and maintenance services on the vehicles of the Group's customers, which is achieved in part through maintaining a sufficient stock of genuine Scania spare parts and accessories so that they are available when first requested by customers for not less than 85% of the cases in Taiwan and 95% of the cases in Hong Kong.

Large Network of Service Centres: A Major Competitive Advantage

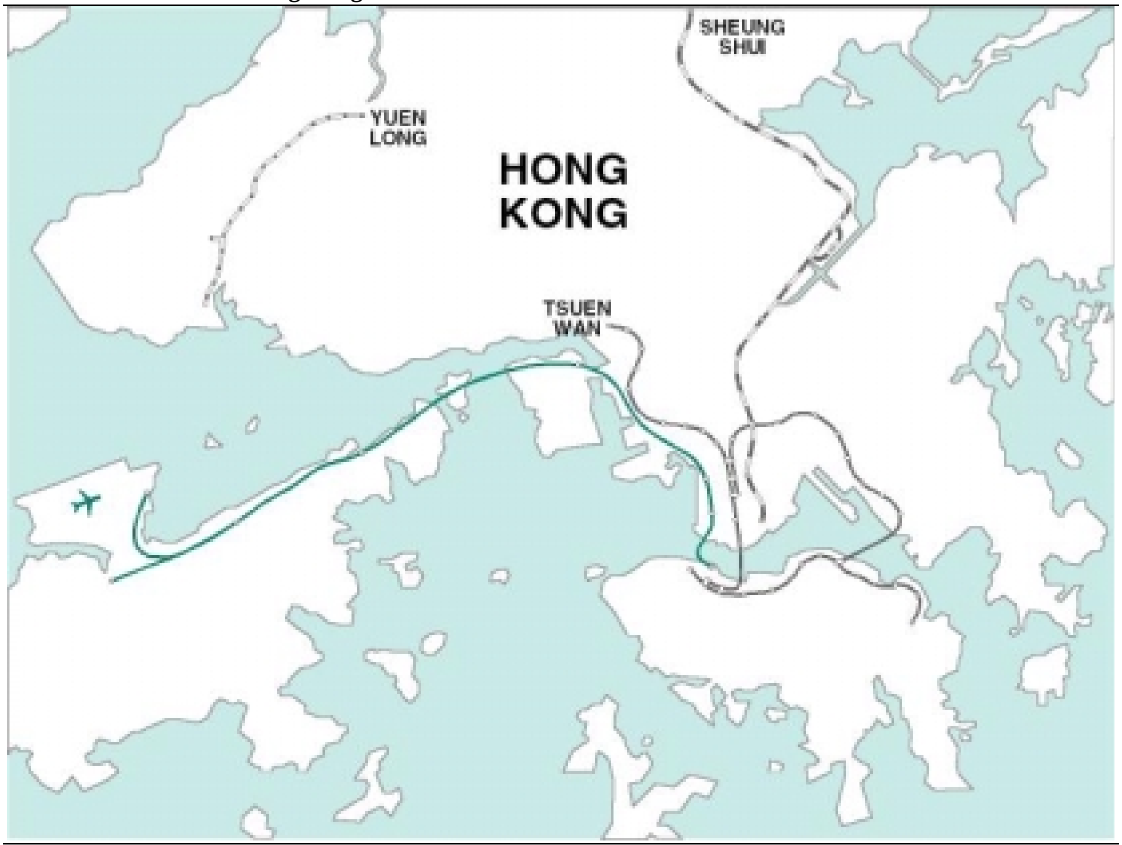
Taiwan
The Group has five self-operated service centres, two spare parts centres and eleven authorised service centres located in the northern, central and southern parts of Taiwan.

FIL Service Centres in Taiwan

Source: Forefront

Hong Kong

FIL Service Centres in Hong Kong



Source: Worldsec

FIL has three self-operated service centres in Hong Kong, which are located in Tsuen Wan, Sheung Shui and Yuen Long, the locations in which the majority of the Scania fleet customers are located.

The Tsuen Wan, Sheung Shui and Yuen Long service centres have a gross floor area of about 18,883 sq. ft, 21,160 sq. ft and 97,399 sq. ft respectively. These service centres, which are leased from third parties, provide annual vehicle inspection, repair and maintenance services. Spare part sales and pre-delivery inspection are also carried out in these centres.

The PRC

FIL Service Centres in China

Source: Worldsec

FIL has an equity joint venture, "Shenzhen Forerunner Automotive Services Ltd." in Shenzhen, which provides vehicle repair and maintenance services.

The Group also has a wholly foreign-owned enterprise, "Forefront International Trading (Shanghai) Co. Ltd" in Shanghai, which imports spare parts and accessories.

With a view to further increasing the service centre network, FIL has concluded some new service centre agreements in 2001. The new agreements were concluded with the following companies: Shanghai Shenhai Motor Vehicle Services Workshop, Shenzhen Municipality Lianyun Specialised Vehicle Services Workshop, Xiamen Gangwu Group Mechanical Electrical Engineering Co. Ltd and Xiamen Gangwu Group Mechanical Electrical Engineering Co. Ltd. Motor Vehicles Centre.

7. Risk Factors

Reliance on Key Supplier
Scania is the Group's largest supplier, and accounted for about 56.7%, 68.0% and 85.5% of its total purchases for the three years ended 31 December 2000, respectively. Any disruption of the Group's relationship with Scania may have an adverse impact on the business and profitability of the Group.

Exchange Rate Risk
As the Group's purchases are largely in US dollars and euros, and revenues are in Asian currencies, any adverse exchange rate changes may affect profitability.

Increase in Fuel Prices
Any large increases in fuel prices may reduce demand for the Group's products in the short-term.

Competition with other Modes of Passenger and Freight Transport
Heavy commercial vehicles compete with alternate modes of passenger and freight transport, including transport by rail and air. However, the directors believe that for the transportation of large or heavy loads or goods, trucks enjoy a competitive advantage over other forms of transport.

Political and Economic Considerations
Like other businesses that operate in the PRC market, the Group's business could be adversely affected by changes in the political and economic conditions of the PRC or in the PRC government's policies, such as changes in laws and regulations which may be introduced to regulate or stimulate the rate of economic growth and the imposition of additional import restrictions.

Import Regulations, Import Tariffs and Trade Restrictions
The PRC imposes restrictions on the import of foreign manufactured motor vehicles as well as spare parts and components. Any increase in such import restrictions and tariffs may have an adverse effect on the Group's business. However, such an increase is not expected to materialise if the PRC accedes to the WTO, as it will be required to gradually reduce its import tariffs on trucks, tractors, buses and coaches in accordance with a pre-arranged schedule.

8. Use of Proceeds

- About HK$35mn will be used for the expansion of the Group's after-sales services by establishing additional self-operated service centres and authorised service centres in Taiwan, Hong Kong and the PRC.
- About HK$20mn will be used for the expansion of the financing capabilities of Forefront Finance Co. Limited.
- About HK$15mn will be used for the expansion of the chain services provided by U-Drive in Hong Kong and for the setting up of U-Drive in Taiwan and, after the PRC's accession to the WTO, in the PRC.
- About HK$5mn will be used for the development of and the further upgrading of the Group's information system and information technology.
- The balance will be used as general working capital of the Group.

To the extent that the net proceeds of the share offer are not immediately applied for the above purposes, it is the present intention of the Group's directors that such net proceeds will be placed on short-term deposits with financial institutions in Hong Kong.

9. IPO Information

Number of Shares under the Share Offer	:	100,000,000 Shares (subject to the over-allotment option)
Number of Public Offer Shares	:	20,000,000 Shares (subject to adjustment and reallocation)
Number of Placing Shares	:	59,250,000 Shares (subject to adjustment, reallocation and the over-allotment option)
Number of Strategic Placing Shares	:	20,750,000 Shares
Offer Price	:	To be determined
Nominal Value	:	HK$0.10 per Share
Stock Code	:	To be determined

Financial Statements

Profit & Loss Statement Y/E 31 December (HK$'000)	1998	1999	2000
Turnover	**523,853**	**584,803**	**698,048**
Cost of sales	(436,750)	(466,144)	(529,373)
Gross profit	**87,103**	**118,659**	**168,675**
Other revenue	4,777	5,350	6,853
Sales and distribution expenses	(8,048)	(8,644)	(13,343)
Administrative expenses	(58,590)	(75,405)	(81,876)
Profit from operating activities	**25,242**	**39,960**	**80,309**
Finance costs	(12,535)	(4,160)	(7,194)
Profit before tax	**12,707**	**35,800**	**73,115**
Tax	(3,487)	(9,378)	(17,535)
Profit after tax	**9,220**	**26,422**	**55,580**
Minority interests	-	151	543
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**9,220**	**26,573**	**56,123**
Dividends	-	-	[24,901]
Earnings per share (cents)	**3.07**	**8.86**	**18.71**

For the year ended 31 December 2000, the Group recorded a turnover of about HK$698mn, representing an increase of about 19.4% YoY. Sales of vehicles in Taiwan continued to increase on the back of robust demand for tractors and bus and coach chassis. Sales of vehicles in Hong Kong also recovered strongly, in tandem with the strong recovery in the underlying economy. Demand for tractors was particularly strong, as customers required more tractors to meet the rapidly increasing cargo/container transport activities.

Because of the increase in the Group's turnover and gross profit margin, gross profit increased by about 42.2% YoY to about HK$169mn in FY00. The increase in the gross profit margin from about 20.3% in FY99 to about 24.2% in FY00 was primarily attributable to further increases in the sale prices of the Group's vehicles, on the back of increasing demand. The continued weakening of the euro against the US dollar also enabled the Group to make vehicle purchases at favourable prices in US dollar terms.

Balance Sheets **Y/E 31 December (HK'000)**	**1998**	**1999**	**2000**
Non-Current Assets			
Fixed assets	18,239	20,990	61,505
Long term investment	232	2,322	2,322
Hire purchase receivables	-	15,825	10,451
	18,471	39,137	74,278
Current Assets			
Inventories	136,578	100,477	162,125
Hire purchase receivables	-	5,344	5,783
Due from directors	848	1,533	2,910
Due from a shareholder	-	18,564	10,429
Accounts receivable	122,597	69,778	66,696
Prepayments and other receivables	21,201	19,352	30,241
Cash and bank balances	1,826	14,502	31,627
	283,050	229,550	309,811
Current Liabilities			
Due to related parties	19,870	16,169	148
Interest-bearing bank and other borrowings	58,048	67,685	123,010
Accounts payable	15,459	26,751	33,690
Other payables and accruals	19,354	16,629	25,950
Tax payable	8,327	11,272	11,330
Proposed dividend	-	-	24,901
Due to a minority shareholder of a subsidiary	-	-	363
	121,058	138,506	219,392
Net Current Assets	**161,992**	**91,044**	**90,419**
Total Assets Less Current Liabilities	**180,463**	**130,181**	**164,697**
Non-Current Liabilities			
Due to a shareholder	- 78,482	-	-
Interest-bearing bank and other borrowings	-	-	- 7,505
	- 78,482	-	- 7,505
Minority interests	-	- 228	316
	101,981	129,953	157,508
Represented by:			
Combined shareholders' equity	101,981	129,953	157,508