You should consider carefully all the information set out in this prospectus and, in particular, should consider the following risks and specific considerations in relation to the enlarged group. Additional risks and uncertainties not presently known to the enlarged group or that the enlarged group deems immaterial could also harm the business, financial condition and operating results of the enlarged group.

RISKS RELATING TO THE ENLARGED GROUP

Risks relating to the acquisition

The company has entered into a conditional agreement with China Resources Holdings for the acquisition. Please refer to the section headed "Acquisition" in this prospectus for details. The completion of the acquisition is subject to the approval from the China Resources Enterprise independent shareholders at the extraordinary general meeting and the registration with the Registrar of Companies of Hong Kong of this prospectus. The introduction is subject to the completion of the acquisition.

Risks relating to growth strategy

One of the enlarged group's principal growth strategies is to increase its turnover, profitability and market size through acquisition of additional cement and related businesses. However, there is no assurance that the enlarged group will be able to identify and acquire appropriate acquisition targets available for sale at reasonable prices. The enlarged group may not have sufficient available capital to pay for such other acquisitions, or any issue of shares to satisfy such payments may affect the capital structure of the company. As a result, the enlarged group may not be able to realise its business strategy of growth through acquisitions.

The businesses which comprise the cement operations, the Redland group, the PRC concrete operations and together forming the enlarged group are currently operated under autonomous managements, with respective local management retaining responsibility for day-to-day operations, profitability and the internal growth of each individual operation. There is no assurance that the enlarged group will be able to consolidate, within a reasonable time frame, these businesses upon completion of the acquisition and failure in implementing and maintaining proper overall business controls could result in inconsistent operating and financial practices of the existing businesses of the enlarged group and could adversely affect its overall profitability.

Significant capital and finance requirements

Cement production is capital intensive. The enlarged group is required to make substantial investments in establishing new cement plant or acquiring cement plant and other investments. During the three years ended 31st December, 2002, the capital expenditure of the enlarged group amounted to approximately HK$16.5 million, HK$24.6 million and HK$373.9 million, respectively. A substantial increase in the capital expenditure in year 2002 was mainly due to the initial investment incurred in acquiring Guangxi CR Cement. The enlarged group intends to make further investments in capital expenditure of approximately HK$245.8 million by 30th June, 2004 as part of its overall expansion plan to increase its production capacity and improve its distribution network in the PRC, including, among other things, the investment of a further RMB224.1 million, equivalent to approximately HK$211.2 million, to construct a dry process vertical kiln production line and a pier and to carry out improvement works in a quarry under Guangxi CR Cement and the investment of

RMB10.6 million, equivalent to approximately HK$10.0 million to expand Dongguan Cement production capacity, details of such capital expenditure programme are set out in the section headed "Future plans" in this prospectus. The initial investment and expansion plan are expected to be financed by internal resources of the enlarged group or additional bank loans. There can be no assurance that external sources of financing on reasonable terms will be available to fund the enlarged group's capital expenditure programme. The failure to obtain such financing may hinder the enlarged group's ability to continue its business and growth strategies successfully.

At present, the enlarged group and in particular, the cement operations rely on their respective connected persons for provision of guarantees for bank loans. The aggregate principal amount of all guaranteed loans of the enlarged group were approximately HK$378.3 million, HK$483.9 million and HK$241.6 million for the three years ended 31st December, 2002, respectively. As at 30th April, 2003, the aggregate principal amount of such guaranteed loans was approximately HK$236.9 million, out of such guaranteed loans, a total of HK$178.8 million were guaranteed by China Resources Holdings. The company has discussed with the relevant financial institutions about the possible release of all guarantees provided by China Resources Holdings upon listing of the shares on the Main Board. As at the latest practicable date, all such financial institutions providing loans of approximately HK$178.8 million have confirmed their agreement in principle to release such guarantees which will be replaced by guarantees from the company. However, there is still no assurance that the enlarged group will be able to obtain additional financing as and when required on terms that are acceptable to the enlarged group. The enlarged group's ability to arrange financing is dependent on a number of factors, including general economic and capital market conditions, credit availability from financial institutions, investors' confidence in the enlarged group, the cement and concrete business in the PRC and Hong Kong markets and provisions of PRC tax and company laws. In the event that additional financing is not available as and when required or is available on terms unacceptable to the enlarged group, its development, results of operations and financial condition may be adversely affected.

Fluctuation of profit

The group's revenue is principally derived from sale of ready mixed concrete, ready mixed mortars, shotcrete and precast concrete products mainly in Hong Kong. For the three years ended 31st December, 2002, the group recorded pro forma combined net profit attributable to shareholders of approximately HK$200.8 million, HK$140.8 million and HK$53.3 million, respectively. Based on the group's unaudited management accounts for the four months ended 30th April, 2003, the group recorded a pro forma combined turnover of approximately HK$113.4 million and pro forma combined profit after tax of approximately HK$7.6 million. The concrete industry is cyclical in nature and is largely dependent on the building and construction industry and general economic condition. The group's profit has fluctuated during the three years ended 31st December, 2002. As such, there can be no assurance that the enlarged group can maintain such profitability during the three years ended 31st December, 2002 in the future.

Non inclusion of a profit forecast for the year ending 31st December, 2003

A profit forecast for the year ending 31st December, 2003 has not been included in this prospectus since the directors believe that it would not be possible to predict with reasonable accuracy and certainty the turnover and profit of the enlarged group. The directors believe that:

— most of the group's revenue comprises sales of concrete products which are generated on an order-by-order basis and do not involve material long-term contracts. As a result, there may not be a continuous and steady source of revenue to be generated by the group's business and the revenue of the group may not therefore be predicted with reasonable accuracy and certainty;

— the sales of concrete products are subject to, among other factors, the prevailing market conditions, the change in the preference of customers and the potential competition in the industry. These factors are beyond the control of the group and there is no assurance that customers of the group will order products from the group continuously;

— Dongguan Concrete and Shenzhen Concrete were established on 24th June, 2002 and 26th March, 2002, respectively. Given their short period of operations, the directors consider that there are uncertainties with respect to their effect on the enlarged group's future sales revenue; and

— the major customers and suppliers of the enlarged group are located in Hong Kong and in the southern part of the PRC respectively. The enlarged group's business is, to a large extent, influenced by the business environment of the enlarged group's customers and suppliers as well as the global economic and political conditions. The recent outbreak of Severe Acute Respiratory Syndrome (SARS) in Hong Kong and the PRC may have an impact on the enlarged group, details are set out under the paragraph headed "Recent outbreak of SARS" in this section. As such, the directors consider that there are uncertainties over the enlarged group's future sales revenue.

Based on the factors described above, it is not possible for the enlarged group to predict its turnover and profit with accuracy, reliability and certainty. The directors therefore do not consider it appropriate to include a profit forecast of the enlarged group for the year ending 31st December, 2003 in this prospectus. Investors should be aware that there is no assurance that the enlarged group will increase or maintain its historical revenue or profitability and that the historical results of the enlarged group should not, therefore, be used as an indication of its future financial performance.

Seasonal effect on sales

The demand for the enlarged group's cement, concrete and related products is largely dependent on the requirements of the building and construction industry, which, in Southern China, is not necessarily seasonal because of year round favourable climatic conditions. However, from time to time, the building and construction industry is adversely affected by major typhoons and torrential rain.

Product claims

The enlarged group's operation generally involves providing different types of cement with a variety of specifications and formulations. Concrete products must conform to applicable tests, contractual specifications and other regulatory requirements for timely delivery. If the enlarged group fails to meet with these requirements and specifications, claims may arise against the enlarged group and its reputation may be damaged. As far as the directors are aware, it is not a common practice in the industry in both Hong Kong and the PRC to maintain insurance coverage for product claims. The enlarged group may, therefore, be liable for the damages arising from any loss and injury due to defective products which are not covered by the insurance coverage and this may have an adverse effect on the enlarged group's financial condition, reputation and operation.

Cost of raw materials

Clinker, coal and electricity represent a substantial portion of the cost of cement production. At Guangxi CR Cement, coal is used primarily for firing raw materials in the kilns of the cement plant during cement production and electricity is used for operating the crushers and grinding mills. Dongguan Cement's plant uses heavy oil to run five electricity generators for operating the grinding mills to process the imported clinker into cement. Cement and aggregates are the major raw materials in the production of concrete.

During the three years ended 31st December, 2002, the total cost of the raw materials accounted for approximately 80.7%, 86.2% and 75.5%, respectively, of the total cost of sales of the enlarged group. Other costs, such as labour and indirect costs, do not currently involve risks which the directors consider material in the context of the enlarged group's business. The directors believe that any significant increase in the prices of coal, heavy oil, electricity, clinker, cement and aggregates that cannot be passed on to its customers will have an adverse impact on the profitability of the enlarged group.

Dependence on key management

The extent to which the enlarged group is able to carry out its business plan will depend on, to a significant extent, the continuing efforts of its key executives and senior management of its existing businesses and of any significant businesses it may acquire in the future. The enlarged group's success will also depend on the continuing efforts of its plant managers and technicians. As such, the enlarged group's performance depends on its ability to retain and motivate senior management and personnel who possess the relevant management and technical experience critical to its success. In the event that some of these persons do not continue in their respective roles or the enlarged group fails to attract and retain suitably experienced qualified replacements, the business and results of operation of the enlarged group could be adversely affected.

Dependence on major suppliers

For each of the three years ended 31st December, 2002, total purchases made from the enlarged group's five largest suppliers (including Sumitomo Corporation and Wygetta Quarry) in aggregate, accounted for approximately 55.6%, 50.1% and 47.0%, respectively of the enlarged group's pro forma combined total purchases. For the same period, Sumitomo Corporation accounted for approximately 10.1%, 26.1% and 24.3% and Wygetta Quarry accounted for approximately 13.7%, 6.5% and 1.8% of the enlarged group's pro forma combined purchases, respectively. The enlarged group has not entered into long term procurement contracts with all of these suppliers. Accordingly, the enlarged group's result would be adversely affected if it were unable to obtain stable and continuous supplies of ingredients in a timely manner or if there were any significant increase in costs of any major raw materials in the future.

Insurance coverage

The enlarged group's operation has the potential to cause personal injury and loss of life, damage to or destruction of property, plant and equipment and the environment. Although the enlarged group conducts training programme designed to reduce the risks of these occurrences, the enlarged group cannot eliminate these risks. The enlarged group maintains insurance coverage in amounts and against such risks that the management believes to be in accordance with industry practice, but such insurance may not be adequate to cover all losses or liabilities that may arise from its operations, and the enlarged group may, in future, not be able to maintain insurance of the types or at levels the enlarged group deems necessary or adequate or at rates which the management considers reasonable.

Risks relating to production facilities of the enlarged group in Hong Kong

In accordance with a new practice note for authorised persons and registered structural engineers numbered 255 issued by the Buildings Department in March 2002, appraisal reports issued by registered structural engineers were required to be submitted by 30th October, 2002 to demonstrate, among other things, structural safety of batching plants erected before 1st May, 2002. This practice note applies to the group's batching plants at, respectively, Yau Tong, Yuen Long and Kwai Chung, properties numbered 3, 4 and 6 as referred to in appendix VII to this prospectus. Therefore, appraisal reports in respect of these plants are required to be submitted to the Buildings Department. According to the said new practice note, an acknowledgement will be issued by the Buildings Department once it is satisfied that all requirements under the new practice note have been complied with. All relevant appraisal reports have been submitted and the group has received an acknowledgement from the Buildings Department in respect of its Kwai Chung batching plant. As at the latest practicable date, such acknowledgement has yet to be issued for the Yau Tong and Yuen Long plants as the process involves testing and review of the detailed reports submitted to the Buildings Department. In the event that the Buildings Department is not satisfied that the group has complied with the practice note requirements with respect to the said plants, the Buildings Department may order rectification of any non compliances with the new practice note and may serve written notice to the group to make alterations and improvements to these plants, in which event, the operation of the said plants may be adversely affected.

Other than batching plants situated in industrial buildings, it is also quite common for concrete producers in Hong Kong to acquire agricultural land in the New Territories to erect batching plants provided that a waiver is being obtained from the Lands Department for such use. Alternatively, the concrete producers may obtain a short term tenancy directly from the government which will permit the concrete producers to occupy government land for concrete production purpose. The group has accepted a proposed short term waiver offered by the District Lands Office in Yuen Long for the use of the property at which the group's Yuen Long plant, as property numbered 4 as referred to in appendix VII to this prospectus, is located as a batching plant as against its original use as agricultural land. The waiver is for a term of six months from 20th June, 2001 and thereafter automatically renewed quarterly unless terminated in writing by either Standard Wealth Investment Limited, a member of the group and the registered owner of the said property, or the District Lands Office, Yuen Long. There is no assurance that the District Lands Office, Yuen Long would not terminate the waiver during the term of operation of the said plant. In addition, the group is currently in the process of appealing against the waiver fee imposed and therefore no waiver fee has yet to be paid. Standard Wealth Investment Limited has through its surveyor submitted the aforesaid appeal on 20th September, 2002 and the District Lands Office, Yuen Long, has agreed to consider the appeal. There is no assurance that the group can successfully negotiate an acceptable amount of waiver fee. In such event, the group will have to either accept whatever amount of waiver fee finally determined or to relocate its Yuen Long plant.

The group's Kwai Chung batching plant is constructed on property numbered 6 as referred to in appendix VII to this prospectus, which is leased from the Hong Kong government for a term of three years expiring on 31st January, 2004 and thereafter automatically renewable on a quarterly basis. However, either the group or the government may at the expiration of the third year of the term, by giving at least three months' notice in writing, terminate the lease. If no such notice is being given as aforesaid, the lease may be terminated by either party giving to the other at least three calendar months' notice in writing to that effect at any time. The government is also entitled to terminate the lease if the property shall be required for the improvement of Hong Kong or for other public purpose by giving one month's notice in writing to that effect. In view of the short term nature of such tenancy which is common to tenancies for similar purposes, there is no assurance that operation of the plant will be uninterrupted. In any event, it is government policy that government land held under short term tenancy will be offered for tender upon expiration of term. In the event the group is unsuccessful in obtaining another short term tenancy of the site through tender or otherwise and relocation is required, there is also no assurance that the group will find a suitable alternative location for the plant.

Risks relating to production facilities of the enlarged group in the PRC

The concrete batching plants of Dongguan Concrete and Shenzhen Concrete are respectively constructed on properties leased from independent third parties. The land where the production facilities of Dongguan Concrete are located (please refer to property numbered 25 in appendix VII to this prospectus) is collectively owned (集體所有). The land where the production facilities of Shenzhen Concrete are located (please refer to property numbered 26 in appendix VII to this prospectus) is allocated to the landlord for commercial use and is subject to resumption by the local government. These properties have to be converted to granted land (出讓地) before they can lawfully be leased for their respective current use. There is no assurance that the respective landlords of the properties will be able to convert the land to granted land. In the event of the failure of the respective landlords to convert the land, they may be ordered by the relevant government authorities to terminate the respective leases, and Dongguan Concrete or Shenzhen Concrete may have to surrender the use of the current sites. Other than that, no penalties or fines will be imposed on the enlarged group. However, where Dongguan Cement or Shenzhen Concrete has to vacate such sites, there is no assurance that it will be able to find suitable alternatives for carrying on its current operations.

The piece of land at which the production facilities of the newly established Zhanjiang CR Cement are located is also leased from an independent third party which comprises an area of approximately 6,318.8 sq.m., equivalent to approximately 68,015 sq.ft. (please refer to property numbered 27 in appendix VII to this prospectus). Part of the land use rights of the property of an area of approximately 903.0 sq.m., equivalent to approximately 9,720 sq.ft., is administratively allocated to the landlord. The landlord is not allowed to dispose of or lease such area unless and until an approval from the relevant PRC government authority is obtained or such area is converted to granted land. No such approval has been obtained nor has conversion been completed by the landlord. Zhanjiang CR Cement may be ordered by the relevant government authority to move out of the relevant area. As the area concerned is now being used for production and it is not feasible to move the production facilities to other areas of the site, Zhanjiang CR Cement may have to move out of the entire site if it is not allowed to operate on the area concerned. There is no assurance that Zhanjiang CR Cement will be able to find suitable alternatives for carrying on its operations which have just recently commenced.

In relation to the aforesaid, the enlarged group may suffer relocation costs, loss of profit and business and such other losses and damages as a result of removal of production facilities. There is no assurance that the enlarged group can find alternative locations at no material additional costs in the event it is required to surrender possession of the above leased properties.

Trademarks infringement by third parties

Guangxi CR Cement has registered its trademark "紅水河" (Hongshuihe), and similar marks "紅水" (Hongshui), "水紅河" (Shuihonghe), "河水紅" (Heshuihong) and "紅河水" (Hongheshui) in the PRC. Dongguan Cement Holding has entered into an agreement with Minmetals Holdings under which Minmetals Holdings assigned to Dongguan Cement Holding the trademarks of "東潤水泥" (Dongrun Shuini) and "潤豐水泥" (Runfeng Shuini) currently used by Dongguan Cement, and has licensed Dongguan Cement to use such trademarks pending change of registration of such trademarks. The company has been granted an exclusive license by China Resources Holdings for the use of "華潤水泥" (CRC Cement) in Hong Kong. Further details of the intellectual property rights of the cement operations are set out in the sub paragraph headed "Intellectual property rights" under the paragraph headed "Further information about the business" in appendix IX to this prospectus.

The directors are not aware of any significant trademarks infringement of the enlarged group's products in the past. However, the enlarged group's image and profitability may be adversely affected if there is any such infringement in the future.

Dividend policy

During each of the five years ended 31st December, 2002, Redland Concrete declared and paid dividends amounting to approximately HK$80 million, HK$220 million, HK$269 million, HK$140 million and HK$44 million, respectively. The dividends paid by Redland Holdings have been retained in the accounts of Innovative Market and Innovative Market has not declared or paid any dividends other than a dividend in an amount of HK$525 million declared on 31st December, 2001. Such dividend prior to the listing of the company should not be used as a reference for the company's future dividend policy nor should it be used as a reference for the amount of dividends which the company may pay in the future.

The company's ability to pay dividends is dependent on the earnings of its subsidiaries and joint ventures and their distribution of funds to the company, primarily in the form of dividends. The ability of these subsidiaries and joint ventures to make distributions to the company are subject to applicable legal and other restrictions, including the amount of distributable earnings, cashflow conditions, restrictions contained in articles of association of such companies and the relevant joint venture and shareholders' arrangements, the applicable companies law and other arrangements. These restrictions could reduce the amount of distributions that the company receives from its subsidiaries and joint ventures, which would restrict the company's ability to pay dividends to its shareholders.

Preferential tax treatment

Guangxi CR Cement, Dongguan Cement and Dongguan Concrete are entitled to a full tax holiday for the first two years of profitable operation and a 50% reduction in enterprise income tax for the three years thereafter (兩免三減). Pursuant to PRC Foreign Invested Enterprises and Foreign Enterprises Income Tax Law, each of Guangxi CR Cement, Dongguan Cement and Dongguan Concrete is subject to enterprise income tax at the rate of 30%, 30% and 30%, respectively once the full tax holiday is utilised. Should there be any changes in the PRC tax law or its application, the effective tax rates for these companies in the future might increase substantially and, accordingly, they would be subject to significant tax charges which would adversely affect profitability of the enlarged group.

Prescribed export sales percentage

Dongguan Cement is subject to a prescribed annual export sales percentage of 80% which it has not met since its establishment in 1994. Such prescribed export sales percentage was adopted in its supplemental joint venture agreement of 1995 prior to the change in the sino foreign equity joint venture law of the PRC in 2001 pursuant to which a sino foreign equity joint venture is no longer required by law to provide in its joint venture agreement or articles of association a domestic and export sales ratio. Following such change in the laws, a sino foreign equity joint venture established prior to the change is allowed to apply to the relevant PRC government authority for amending its joint venture agreement to delete the prescribed domestic and export sales ratio. Dongguan Cement has yet to apply for the removal of this requirement in its constitutional documents and Dongguan Cement is still deemed to be in breach of the requirement. As advised by the company's PRC legal advisers, such technical breach would not give rise to any material consequences to Dongguan Cement. However, there is no assurance that Dongguan Cement will not be sanctioned by the relevant PRC government authorities for the breach. It is intended that Dongguan Cement will apply for the amendment of its constitutional documents for removal of the domestic and export sales ratio as soon as practicable.

RISKS RELATING TO THE CONCRETE INDUSTRY IN HONG KONG

Competition

The concrete industry in Hong Kong is characterised by vigorous competition. The group may lose business to competitors who underbid it. The group's competitive position in a given market will depend largely on the location and operating costs of its ready mixed concrete plants and the prevailing market price. Competitors having lower operating costs than those of the group or having the financial resources to enable them to accept lower margins than the group will have a competitive advantage over the group for contracts which are particularly price sensitive. Competitors having greater financial resources than the group to invest in new mixer trucks, build plants in more strategic locations or engage in strategic acquisitions will also have competitive advantages over the group.

Environmental protection

Rising concerns on environmental conservation in Hong Kong over the past few years may prompt governmental authorities to strengthen regulations in this respect. Governmental requirements that impact the group's operations include those relating to air quality, solid waste management and waste water treatment. These requirements are complex and subject to frequent changes. There is no assurance that the government will not introduce new rules and regulations which will impose more stringent controls over industrial pollution whereby the group may need to incur material expenditures not currently anticipated. In addition, although the group intends to conduct appropriate investigations with respect to environmental matters in connection with future acquisitions, the group may fail to identify or obtain indemnification against all potential environmental liabilities of any business to be acquired.

RISKS RELATING TO THE CEMENT INDUSTRY IN THE PRC

Competition

As the PRC cement industry is characterised by a large number of small cement plants, the market for cement products, particularly that of low grade cement, is competitive in the PRC. With the deregulation of cement prices in 1996 and the deflation in the PRC since 1997, prices of cement have dropped significantly. Since competition in the cement market is based primarily on the price and quality of the products, the enlarged group may be forced to reduce its cement prices in order to compete with other producers. However, given the focus of cement operations on the high grade cement market and their economies of scales, the directors believe that the cement operations will be able to maintain its competitive edge. Nevertheless, the cement operation may lose its business if its competitors have greater financial resources which may enable them to upgrade the quality of their products and sell at lower prices.

Due to the low price-to-weight ratio and the short shelf life of cement, the cement market tends to be localised. Imported cement has not been competitive in the PRC. Imported cement constitutes only a very small percentage to the total national usage. However, there is no assurance that such situation will persist in the foreseeable future and that imported cement will not pose any competition to the enlarged group.

Environmental protection

Cement industry ranks among the biggest polluters in China, prompting increased concerns from the central government to adopt a series of environmental protection policies. Dust and waste water are produced in various stages of the cement production process. The cement operations are, therefore, subject to the state and provincial environmental laws, regulations and administrative rules. These include provisions for the prevention and treatment of water and air pollution and other industrial pollution generally. The local governments are also empowered to impose penalties on companies which fail to comply with the relevant requirements. In the event that new requirements are promulgated in the PRC, the cement operations may have to incur additional expenses in relation to environmental protection, which may adversely affect its profitability.

RISKS RELATING TO THE CONCRETE INDUSTRY IN THE PRC

Competition

With more stringent environmental regulations and restrictions on the grant of permit for new batching plant, the entry barrier for new competitors has become greater. However, there is no assurance that governmental rules or regulations will not be promulgated which may adversely affect the competitiveness of the enlarged group's concrete operations in the PRC.

Environmental protection

Noise, dust and waste water are produced during the concrete production process. The concrete operations are subject to the state and provincial environmental laws, regulations and administrative rules. These include provisions for the prevention and treatment of water and air pollution and other industrial pollution generally. The local governments are also empowered to impose penalties on companies which fail to comply with the relevant requirements. In the event that new requirements are promulgated in the PRC, concrete operations of the enlarged group may need to incur additional expenses in relation to environmental protection and its profitability may be adversely affected.

RISKS RELATING TO POLITICAL AND ECONOMIC CONSIDERATIONS

Risks relating to the PRC

Laws and regulations

Unlike the common law system, decisions of the PRC courts may be cited as persuasive authority but do not form binding precedent. While considerable progress has been made in the past two decades in the development of the laws and regulations dealing with the protection of foreign investors' interests for their investments in the PRC and contractual rights in dealing with domestic PRC individuals and entities, these laws and regulations are relatively new. This fact combined with the limited number of published judicial interpretations and the non binding nature of prior court decisions result in significant uncertainty in the interpretation and enforcement of such laws and regulations. There can be no assurance that the enlarged group's business in the PRC will not be adversely affected by changes in such laws and regulations or the interpretation thereof.

Economic conditions in the PRC

Since 1978, the PRC government has embarked on a policy to transform the Chinese economy from a government planned economy to a market economy. Like other businesses which operate in the PRC market, the enlarged group's business in the PRC could be adversely affected by changes in the PRC's state plans or political, economic and social conditions or changes in the government's policies. The political, economic and social conditions in the PRC may fluctuate in response to internal or external factors that are hard to predict.

Currency conversion and exchange rate risks

For the three years ended 31st December, 2002, approximately 11.3%, 25.4% and 56.3% respectively of the enlarged group's combined turnover were denominated in Renminbi. Since the introduction of the unified floating rate system in 1994, movements in the exchange rate of Renminbi against other major currencies, such as Hong Kong dollars, are to certain extent subject to market forces. Despite such developments, Renminbi is still not a freely convertible currency. In addition, there is no assurance that Renminbi will not be subject to depreciation or appreciation due to administrative or legislative intervention by the PRC government or adverse market movements, or that shortages in the availability of the foreign currency will not develop. The value of the profitability of the future operations of the enlarged group may be adversely affected by any devaluation of Renminbi.

Risks relating to Hong Kong

Political and economic factors

Sales of the group's concrete and related products are largely dependent on the conditions of building and construction industry and general economic conditions in Hong Kong. Since the Asian financial turmoil occurred in 1997, Hong Kong has experienced a significant downturn which has resulted in, among other things, declines in the value of properties and reduced economic growth and hence the group's business has been adversely affected. In addition, the recent outbreak of SARS has generally exerted considerable direct adverse impact on the Hong Kong economy. Presently, the economy of Hong Kong appears to have stabilised. However, there is no assurance that the Hong Kong economy will be recovered in the short term and if the economic slow down continues for an extended period of time, the Hong Kong economy may continue to suffer and have an adverse impact on the results of the enlarged group.

There is no assurance that the present political and economic environment in Hong Kong will remain unchanged. Future developments in the political and economic environment in Hong Kong may have a material and adverse effect on the business, results of operations and financial position of the enlarged group.

RISK RELATING TO RELIABILITY OF STATISTICS

Certain statistics in this prospectus relating to Hong Kong and China's economy and the cement and concrete industry sector are derived from various unofficial publications. The statistics have not been independently verified by the enlarged group, the directors, the sponsor or their respective advisers and may not be accurate, complete or up-to-date. The enlarged group, the directors, the sponsor or their respective advisers make no representation as to the correctness or accuracy of such statements and, accordingly, such information should not be unduly relied upon.

RECENT OUTBREAK OF SARS

As a result of the recent outbreak of Severe Acute Respiratory Syndrome (SARS) in Hong Kong and in the PRC, the local economic environment and, in particular, the restaurant business, tourism and related industries are facing a number of uncertainties and are becoming increasingly unstable although the financial performance of the enlarged group in April 2003 was not materially affected by SARS. Due to the nature of the businesses of the enlarged group, the impact of SARS on the enlarged group was not apparent in the first four months of 2003. For the rest of the year, the impact of SARS may begin to surface given its impact on the general state of the Hong Kong and PRC economies as it may affect the progress of infrastructure projects and, or the development of property markets. As such, the directors consider that there are uncertainties over the enlarged group's future sales revenue.

Although SARS has shown signs of stabilising recently and the travel warning issued by the World Health Organisation against non essential travel to Hong Kong was withdrawn, there is no assurance that the overall economic performance of Hong Kong and the PRC will improve shortly and thus the business of the enlarged group could be adversely affected.