RISK FACTORS

Investors should consider carefully all of the information set out in this prospectus and should, in particular, evaluate the following risks in connection with an investment in the Group, certain of which are not typically associated with investing in equity securities of companies located predominantly in Hong Kong or other economically advanced jurisdictions.

The Directors believe that there are certain risks involved in the Group's operations. These risks can be broadly categorised into: (i) risks relating to the Group; (ii) risks relating to the industry; (iii) risks relating to Vietnam; and (iv) risks relating to the Global Offering.

RISKS RELATING TO THE GROUP

The Group is dependent on the performance of the motorbike market in Vietnam

The Group's business and prospects depend on the performance of the motorbike market in Vietnam. The Group's primary business is the manufacture and sale of scooters and cubs in Vietnam, where 90.8% of the Group's revenue was generated for the six-month period ended 30 June 2007. The results of operations of the Group are closely related to the demand for motorbikes in Vietnam, which has been driven in recent years primarily by a number of significant macro-economic factors, including growth in Vietnam's gross domestic product and a substantial increase in the purchasing power of Vietnam's population. Any significant downturn in the economy of Vietnam is likely to have a negative impact on demand for the Group's motorbikes and, in particular, for its scooters, which are more expensive high-end products in comparison with cubs. Any such development could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group operates in a highly competitive industry

The Group operates in a highly competitive environment and competes against established scooter and cub manufacturers. Some of the Group's principal competitors, particularly Japanese manufacturers, have substantially greater resources than the Group. In addition, a number of the Group's competitors are more diversified than the Group and may compete in more segments of the motorbike market. The market in which the Group operates is characterised by price sensitivity, brand loyalty and consumers' changing tastes and perceptions of quality. If price competition becomes more intense, the Group could be required to lower the prices of its products, which could lead to a decline in the Group's profit margin. In the past, particularly in 2005, greater competition in the industry has contributed to a decline in the Group's average sales price and in its revenue and profit. The Group's domestic average sales price of scooters and cubs declined from US$1,517 to US$1,453 and from US$726 to US$505, respectively, from 2004 to the first six months of 2007. Failure to adequately address and respond to competitive pressures, both price-based and otherwise, could have a material adverse effect on the Group's business and results of operations. There can be no assurance that the Group will be able to compete successfully in the future in a rapidly changing and competitive market environment.

The Directors believe that the Group's principal competitors, namely, Honda, Yamaha and Suzuki, currently direct most of their marketing resources toward their cub models and have not yet specifically targeted the demographic markets on which the Group has concentrated its efforts. Should any of these companies shift its resources toward scooters and begin specifically targeting the same demographic markets that the Group targets — including, in particular, urban female consumers — sales of the Group's scooters in general, and its Attila series of scooters in particular, could suffer. Because the principal market for the Group's Attila series of scooters is smaller than the motorbike market or even the scooter market as a whole, the potential impact of a new entrant in this sector or of a competitor newly focused on this sector is greater. Such a development could have a negative impact on the Group's results of operations.

The Group's prospects for future growth are largely dependent upon its ability to develop and successfully introduce innovative products that comply with the latest regulations

The scooter and cub markets are characterised by rapid changes in design, style and technology and, at the same time, are subject to an increasing number of regulations relating to safety and emissions, such as the recent Euro II emissions standards. The Group must continue to develop motorbikes that comply with the latest regulations while competing successfully with its competitors in terms of fresh styling and innovative technology. The Group must make product advancements while maintaining the cost effectiveness, image and reliability of the Group's products. The Group must also be able to design and manufacture these products and deliver them to the marketplace in a timely manner. There can be no assurance that the Group will be successful in these endeavours or that existing and prospective customers will favourably receive the Group's new products.

The Group experienced significant quality defects in its cub motorbikes in 2004 and 2005 primarily due to inadequate quality control procedures

In 2004 and early 2005, some of the Group's SYM cubs were manufactured and sold with significant quality defects, most notably poor electroplating and defective muffler linings. These defects were primarily the result of parts and components purchased from third-party suppliers not meeting the Group's specifications and the Group failing to identify the defects in its quality control process. Most affected by the defects was the Group's best-selling SYM cub during the Track Record Period, the Angel, which accounted for more than 58,000 of the units sold domestically and US$39.7 million or 21.6% of the Group's revenue in 2005. These problems adversely affected the reputation of the Group's products in Vietnam, particularly in the north where most of the Group's SYM cubs were then sold, and contributed to an overall decline in sales and profit in 2005. There can be no guarantee that the Group will not experience quality-control problems again. If significant quality-control deficiencies are experienced by the Group in the future, it is likely that this will have a negative impact on the business, financial condition and results of operations of the Group.

The Group's proprietary and licensed technology and designs may not be adequately protected, and its rights to use certain technologies and designs could be challenged

The Group's success depends upon its motorbike-related proprietary and licensed technology and designs. The Group relies on a combination of patents registered in Vietnam and technology licensed from Sanyang. The Group cannot guarantee that it will be able to protect its rights and prevent third parties from using or copying its technology and designs. Any significant infringement on any such technology or design or the counterfeiting of any of the Group's products on a significant scale could result in a loss of market share and adversely affect the Group's business. The Group also cannot guarantee that a third party will not successfully challenge the Group's right to use certain technologies and designs. To date, the Group has received one challenge to its right to use certain designs, as described under "Other Information – Litigation" in Appendix VI to this prospectus. That challenge has come in a recent letter from Vietnamese lawyers acting for a European motorbike manufacturer, claiming that the Attila Elizabeth utilises a design that is confusingly similar to a scooter model produced by the other manufacturer and that VMEP has employed a misleading advertising campaign in Vietnam to market the Attila Elizabeth. The letter alleges that the manufacture, advertisement, distribution and sale of the Attila Elizabeth without the consent of the motorbike manufacturer constitute unfair competitive practices in violation of the manufacturer's rights, and it reserves the right to commence legal proceedings against VMEP to, among other things, recover for the financial losses and damages allegedly caused by these practices. The outcome of any legal proceedings pursued by the Group to defend its rights to its proprietary and licensed technology and designs and to use the other technologies and designs it employs in the manufacture of its products, including those in the public domain, would be uncertain and could directly impact the Group's sales of particular models, such as the Attila Elizabeth, in Vietnam and elsewhere in the ASEAN region. In addition, litigation regarding technologies and designs or the Group's competitive practices could be costly and consume vital resources, which could have a negative impact on the financial condition and results of operations of the Group.

The Group's marketing strategy of targeting different models of its motorbikes at specific categories of consumers may not continue to be successful with existing consumers, or may be unsuccessful with new categories of consumers

The Group has adopted as one of its central marketing strategies the targeting of particular models of its motorbikes at specific categories of consumers. For instance, the success of the Attila series of scooters is largely attributable to the Group's efforts to target the trendy urban female market. There can be no assurance that this marketing strategy will continue to be successful with the categories of consumers that have responded well to this strategy in the past or that the strategy will be successful with new categories of consumers. To sustain long-term growth, the Group must succeed not only in promoting its scooters and cubs to existing consumer groups but in broadening the appeal of its products to other groups of consumers as well, such as men. If the Group's marketing strategy ceases to be effective with existing consumers of the Group's products and the Group is unable to devise alternative strategies, or if the marketing strategy proves to be unsuccessful with new categories of consumers, this will have a negative impact on the financial condition, results of operations and future prospects of the Group.

The reputation of the SYM and SANDA brands could suffer, or the Group could fall victim to brand infringement

The Group believes that the SYM and SANDA brands have contributed significantly to the success of its business and that maintaining and enhancing the reputation of the brands is critical to the Group's continued success. Adverse publicity, for example from quality-control problems, could damage these brand names and have a negative impact on the business, financial condition and results of operations of the Group.

The Group owns the "SANDA" trade mark and has an exclusive right to use the "SYM" trade mark in connection with the manufacture and sale of SYM scooters and cubs in the ASEAN region. Given the Group's actual and intended use of these trade marks to enhance the marketing appeal of the Group's scooters and cubs, a successful challenge to the Group's use of either of these trade marks would adversely affect the Group's business. In addition, the misappropriation of either of these names by a third party could dilute the brand and damage the reputation of the brand among the public. The outcome of any legal proceedings pursued by the Group to defend its intellectual property rights would be uncertain, and the litigation could be costly and consume vital resources, which could have a negative impact on the financial condition and results of operations of the Group.

The Group manufactures products that could expose the Group to product liability claims, product recalls and litigation

Defects in motorbikes could cause accidents, resulting in fatal or grievous injury or significant property damage. The Group faces a risk of product liability claims if a user of its motorbikes suffers such injury or causes such damage allegedly as a consequence of the Group's motorbike being defective. None of the Group's contracts with the members of its sales channels contains clauses in respect of product liability, which would be determined under the applicable laws. The Group is unable to assure investors that it will not experience any significant product liability claims in the future. The costs associated with defending product liability claims, including frivolous lawsuits, and the payment of damages could be substantial. The Group does not maintain product liability insurance, and the occurrence of any event triggering a product liability claim could therefore have a material adverse impact on the Group. The Group is unable to assure potential investors that its financial performance and operating results will not be negatively impacted if it should face any product liability claims. The Group's reputation could also be adversely affected by such claims, whether or not successful.

In addition, if any of the Group's products is or is alleged to be defective, the Group may be obliged to participate in government-mandated or self-initiated recalls involving those products. A product recall could delay or even halt production until the Group is able to correct the defects or prove that there are no defects. Recalls may also have a materially negative impact on the brand image and public perception of the Group's motorbikes and any other products developed by the Group and may therefore adversely affect future sales. The Group does not maintain insurance against the costs associated with a product recall. A recall would require substantial expenditure to effect, which would have a negative impact on the Group's businesses, financial condition and results of operations.

If liability arises on account of a defect in a part supplied by a third party, the Group may have to litigate against the supplier to enforce its rights to contribution. The costs of such litigation could be substantial. The Group is unable to assure potential investors that such costs would not have a material adverse effect on the Group's financial performance and operating results.

The Group is reliant on independent dealers for the retail sale of the Group's products, and the Group's business could therefore be adversely impacted by any material problems in the Group's network of dealers

The Group depends on independent dealers to develop and implement effective retail sales plans for the Group's motorbikes and related products. For the years ended 31 December 2004, 2005 and 2006 and the six-month period ended 30 June 2007, sales of motorbikes to dealers (including the dealers sometimes serving as distributors in the north of the country) accounted for approximately 91.9%, 83.3%, 82.4% and 82.6% of the Group's total sales, respectively. If these dealers are unsuccessful in their retail sales efforts, the Group will be unable to maintain its current level of, or to increase, its revenue.

In addition, market practice in Vietnam is for dealers to pay for motorbikes on an up-front basis. As a consequence, competition from each of the Group's competitors for the cash resources of dealers is high in the Vietnamese scooter and cub market. The Group dealers are not restricted by the Group's standard dealer agreements from opening other stores selling the Group's competitors' products. In the event that the Group is unable to compete successfully for the limited cash resources of dealers and the dealers purchase competitors' motorbikes to the detriment of the Group's products, the Group may lose market share and find it increasingly difficult to distribute its products to consumers competitively.

More broadly, the Group's continued success depends on its ability to compete for major dealers to sell its products and its ability to continually strengthen its dealership network and maintain strong and amicable relationships with its dealers. Any major dispute with any of its dealers could have an adverse impact on the Group's business. An overall deterioration of the Group's dealership network would likely cause a decline in sales volume and revenue for the Group and have a material adverse effect on the Group's business, financial condition and results of operations.

The Group does not have long-term agreements with its dealers but generally enters into dealer agreements with them for a term of one year, renewable annually. There can be no assurance that the Group will be able to renew its dealer agreements on mutually acceptable terms or at all. If the Group fails to renew its agreements with any of the dealers or to attract new dealers, the Group's financial condition and operating results could be adversely affected.

In the north of Vietnam, certain models of SANDA motorbikes are sometimes sold through a sole distributor, and the Group is reliant on the distributor's network when it chooses to sell in this manner. Any decline in sales of SANDA cubs as a consequence of a dispute with a sole distributor of the Group, or problems in the effectiveness of the distributor's network when the Group chooses to sell SANDA cubs through a sole distributor, could have a material adverse impact on the Group's results of operations.

The Group has been reliant on Sanyang

In addition to being the Company's ultimate controlling shareholder, Sanyang, together with its subsidiaries, provided the Group with parts and services through contractual arrangements over the Track Record Period, including, but not limited to, (i) supply of certain parts that are incorporated into the Group's products, (ii) research and development and technical support services and (iii) certain intellectual property rights. For the years ended 31 December 2004, 2005 and 2006 and the six-month period ended 30 June 2007, the Group's purchases from the Sanyang Group totalled approximately US$55.9 million, US$35.5 million, US$29.5 million and US$15.2 million, respectively, while the Group's sales to the Sanyang Group for the same periods totalled approximately US$9.1 million, US$16.5 million, US$17.0 million and US$10.5 million, respectively. Over the same periods, the Group's expenditure in connection with the use of certain trade marks, technology, know-how, trade secrets and production information licensed from Sanyang and the receipt of certain technical support and research and development services from Sanyang amounted to approximately US$7.8 million, US$4.9 million, US$3.1 million and US$2.5 million, respectively. For further information on these connected transactions, see "Connected Transactions".

After the Global Offering, the Group will operate as a stand-alone group, and Sanyang will have no obligation to provide assistance to the Group except pursuant to agreements that are further described in the section headed "Connected Transactions". If, in the future, Sanyang chooses not to provide, or procure the provision of, parts and services on terms acceptable to the Group, the Group will have to find alternative suppliers of such parts and providers of such services or will have to produce the parts and perform the services itself, either of which could result in delay and an increase in the costs for such parts and services. In addition, the licence agreements granting the Group the right to use the SYM brand name and other technologies expire at the end of 2009 and their renewal is subject to certain conditions as further described in the section headed "Connected Transactions". If, at that time, the agreements cannot be renewed, the Group would likely lose the right to use the SYM brand name or Sanyang's technologies. Either of these developments could have a material adverse effect on the Group's business, financial condition and results of operations.

Following the Listing, the Group will not be entitled to sell SYM products outside the ASEAN region, except for certain motorbike parts that it may sell to Sanyang, given the limitations in the Trade Marks Licence Agreement. Furthermore, any sales of parts to Sanyang will be subject to the Listing Rules with respect to continuing connected transactions. Unless Sanyang consents to the Group selling SYM products outside the ASEAN region directly to third parties, the Group's current level of sales to Europe will decline, which could have a material adverse effect on the Group's results of operations.

The Group has limited experience in conducting sales outside of Vietnam

During the Track Record Period, the Group's products were marketed and sold overseas through Sanyang's international distribution network, with Sanyang purchasing the products as principal and reselling them in the overseas markets. The Group has recently established a trading company, Chin Zong, in Taiwan to assume Sanyang's role in marketing and selling the Group's products outside Vietnam in the ASEAN region. Apart from three employees joining the Group from Sanyang's ASEAN sales and marketing team, the Group has not accumulated any marketing or sales experience outside Vietnam during the Track Record Period. The Group is unable to offer any assurance that it will be able to sustain its sales in the ASEAN market at a level comparable to that prevailing during the Track Record Period or to further expand its sales in this region.

In addition, following the Listing, the Trade Marks Licence Agreement will permit the Group to sell SYM products only in the ASEAN region. Unless Sanyang consents to the Group selling such products outside the ASEAN region, the Group's export sales outside the region will be limited to SANDA products and certain motorbikes parts that it is entitled to sell to Sanyang. The Group has limited experience in promoting its own brand in overseas markets and has not previously implemented and tested any strategy in relation to its own brand management outside Vietnam. The Group cannot assure investors that it will be able to replicate its brand management strategy outside Vietnam for the SANDA brand name or that its SANDA cubs will perform well in overseas markets.

The Group is reliant on third-party suppliers for parts and raw materials

The Group relies on third-party suppliers to supply many of the parts and raw materials that are used to manufacture its motorbikes and related products. The Group has chosen to purchase some of its parts and raw materials from exclusive suppliers, which involves a number of risks, including the unavailability of or interruptions in delivery of these parts and materials, manufacturing delays caused by such unavailability and interruptions, and fluctuations in the quality and price of the parts and materials. Any significant adverse variation in the quantity, quality or cost of the parts and materials supplied by third-party suppliers, particularly exclusive suppliers, could materially and adversely affect the Group's financial condition and results of operations.

The Group purchases certain of its parts and raw materials from overseas vendors. In addition to the risks of dependence on suppliers described above, the risks of sourcing from overseas suppliers include currency fluctuations affecting the price of goods purchased, trade restrictions, changes in tariffs and the difficulty of enforcing supply arrangements. The Group cannot be certain that it will not experience supply problems, such as unfavorable pricing or late delivery of raw materials and components as a consequence of these or other risks associated with overseas suppliers. If these risks materialise, they could have a material adverse effect on the Group's business and results of operations.

Changes in provisions for warranties, for example on account of enhancements in warranty coverage, can materially affect the Group's net income

In late 2005, to bolster consumer confidence in the Group's SYM motorbikes following quality problems with a number of SYM cubs, the Group extended the warranties it offered to consumers on SYM motorbikes, doubling the time period and increasing the mileage by a third. This change has tended to increase the Group's warranty provisions since that date, which could materially affect the Group's net income. The Group's provision for warranties is based on the weighted-average claims rate, which is determined by the claims historically paid out divided by the estimated sales to which those historical claims relate. This analysis requires the use of judgment and estimation. There can be no assurance that the Group will not extend the warranties again in the future to stimulate sales or that the Group's actual warranty costs will not exceed the provisions made on the basis of management's estimates, either of which could have an adverse impact on the Group's net income.

The Group's operations are dependent upon attracting and retaining skilled employees

The Group's future success depends on its continuing ability to identify, hire, develop, motivate and retain skilled personnel for all areas of its organisation. Its current and future total compensation arrangements may not be adequate to attract new employees and retain and motivate the Group's existing employees. If the Group fails to attract qualified personnel or retain and motivate existing personnel, the Group may be unable to develop, manufacture and distribute its products effectively and grow as anticipated.

In addition, the Group's success depends on the efforts of its senior management team. It cannot be guaranteed that the members of this team will continue their employment with the Group. The loss of the services of any member of the senior management team would likely have a negative effect on the Group's ability to conduct its operations. Currently the Group does not maintain key-man insurance covering any of the members of its management team.

The Group will become subject to higher tax rates when certain tax incentives expire and could become subject to unanticipated tax payments as a result of changes in tax policy or disagreements with tax authorities

The Group's tax position is subject to review and possible challenge by tax authorities in Vietnam and to possible changes in law, which may have retroactive effect. Members of the Group, including VMEP, VCFP and CQS, benefit from certain tax incentives granted by the Vietnam taxation authorities. For a description of some of these incentives, see "Financial Information — Factors Affecting the Group's Results of Operations — Taxation". The Group's taxes will increase when the preferential tax treatment of members of the Group expires or is revoked or if tax rates applicable to the Group are otherwise increased. Increased tax liabilities could have a material adverse effect on the Group's results of operations.

In addition, the Group's tax position is subject to review and possible challenge by the Vietnam tax authorities. In particular, these tax authorities may not agree with the tax filings the Group makes or the tax treatment of certain intra-group transactions. The Group can provide no assurance to investors that it will not become subject to claims for additional taxation in Vietnam as a result of any such challenge or disagreement by the tax authorities. Any such claims could be material and could have an adverse impact on the Group's results of operations.

The Group's title and rights in respect of certain real property may not be enforceable

In Vietnam, private land ownership, including ownership by foreign-invested companies, does not exist. The country is still in the process of establishing an effective regulatory framework to facilitate the comprehensive registration and administration of land and the exercise of rights of land users. Updates to land regulations have generally lagged behind developments and the commercial needs of land users. In addition, the law requires all land users in Vietnam to obtain a land use rights certificate, but the mechanism for land users to obtain such certificates is not always adequate or effective and has not been implemented systematically.

The Group leases a number of land parcels in Vietnam on a long-term basis. The titles and rights to such land are required to be constituted or proved by appropriate land use rights certificates. However, the Group has been unable to obtain land use rights certificates for some of its leased land. Without a proper land use rights certificate, there can be no assurance that the Group will be able to have its rights in respect of the relevant land recognised and enforced. In addition, the Group lacks proper certificates of ownership for one of its dormitory buildings. Currently, approximately 4.0% of the Group's site area is subject to title defects.

Moreover, some of the Group's real property lease agreements with a term of more than six months have not been notarised by a notary public or certified by a competent authority as required by Vietnamese law. Consequently, if any dispute relating to these agreements arises, these agreements could be declared ineffective. See "Business — Land and Property" for further details.

The loss of the right to use certain land and buildings currently used by the Group could have a material adverse effect on the Group's business and results of operations.

The Group's business is subject to seasonal variations

The Group's revenue and operating results are subject to fluctuations relating to seasonal variations in the demand for motorbikes in Vietnam. Typically, the Group experiences increased revenue from the Mid-Autumn Festival in September through Lunar New Year in January or February. Conversely, the Group's revenue generally decreases during the rainy season, from March through August. Some of the costs of the Group are fixed and cannot be adjusted for seasonality, causing the Group's operating results to fluctuate from period to period. The Group's interim results consequently should not be considered an indicator of its likely performance for the year.

Future dividends may be less than the dividends paid historically or may not be declared at all

There can be no assurance that the Group's future dividends will be similar in amount to historical dividends or will be declared at all, and potential investors should be aware that historical dividends will not be used as a reference or basis upon which future dividends are determined. Details of the Group's dividend policy are set out under "Dividend Policy and Distributable Reserves" in the Financial Information section of this prospectus. The declaration, payment and amount of any future dividends of the Company will be subject to the discretion of the Directors and will depend upon, among other things, the Group's earnings, financial condition, cash requirements and availability of profits.

RISKS RELATING TO THE INDUSTRY

Consumer discretionary spending may affect scooter and cub purchases and is affected by various economic conditions and changes

The Group's sales of motorbikes are influenced by a number of economic factors affecting consumer spending, such as employment levels, changing consumer tastes, business conditions, interest rates and taxation rates, none of which is within the Group's control. As high-end products, purchases of certain of the Group's motorbikes, particularly the Group's scooters, may be considered by consumers to be discretionary and may therefore be especially sensitive to these economic factors. Adverse economic changes affecting these factors may restrict consumer spending and thus adversely impact the Group's growth and profitability.

The Vietnamese government is investing in other modes of transport, which could reduce demand for motorbikes

Other modes of transport, for instance private cars or public transportation, may become increasingly popular in Vietnam. On 10 December 2004, the Prime Minister of Vietnam approved a strategy designed to develop and improve Vietnam's transportation systems through 2020. Pursuant to this strategy, it is envisaged that public transport should be able to meet 25% to 30% of travel demand in Ho Chi Minh City and Hanoi by 2010 and 50% to 60% of travel demand in these cities by 2020. This strategy involves investment in public transportation infrastructure, as well as an extensive road development strategy. The impact that this strategy will have on the motorbike industry is uncertain. In the event demand for motorbikes reduces due to an increase in the popularity of cars or a cheaper public transportation system, the performance of the motorbike industry could be adversely affected and the Group's business could be negatively impacted.

Any recurrence of severe acute respiratory syndrome, or SARS, or an outbreak of the avian influenza A (H5N1) virus or another widespread public health crisis could adversely affect the business, financial condition and results of operations of the Group

Vietnam, like other nations in Southeast Asia, was affected by the outbreak of SARS in 2003. More recently, China, Vietnam, Indonesia and other areas in Asia have experienced outbreaks of the avian influenza A (H5N1) virus ("**Bird Flu**") in birds and, in some cases, in humans. The future global impact of the disease remains uncertain. According to the World Health Organisation, influenza viruses are inherently unstable, and specific mutations and evolution in influenza viruses cannot be predicted, which means that it cannot be accurately known whether a virus such as Bird Flu might acquire the properties needed to spread easily, and become sustainable, among humans.

A renewed outbreak of SARS or an outbreak of Bird Flu or another widespread public health crisis in Vietnam or elsewhere could have a material adverse effect on the Group's business, financial condition and results of operations, particularly if any of the Group's production facilities are in close proximity to a possible source of transmission of such a disease. The Group's revenue would likely decline as a result of a general decrease in consumer demand for motorbikes if people chose to avoid busy retail locations and dealerships for fear of contracting such diseases. The Group might also suffer if the economy in general were adversely affected. Any negative impact on income or increased costs as a result of a widespread health crisis may in turn adversely affect dividend payouts. As well as the impact on income, the market value of the Group could be adversely affected as a result of a decline in the Group's operations and in the motorbike industry generally.

RISK FACTORS

RISKS RELATING TO VIETNAM

Changes in the economic, political and legal environment of Vietnam, and Vietnam's less developed legal system, may adversely affect the business, operating results and financial condition of the Group

Vietnam's economy differs from the economies of many countries in such respects as structure, government involvement, level of development, growth rate, capital reinvestment, allocation of resources, inflation rate and balance of payments position. Prior to the 1990s, Vietnam's economy was largely a planned economy. Since about 1987, increasing emphasis has been placed on the utilisation of market forces in the development of the economy. Annual and five-year state plans are adopted by the Vietnamese government in connection with the development of the economy. Although state-owned enterprises still account for a substantial portion of Vietnam's industrial output, in general, the Vietnamese government is reducing the level of direct control that it exercises over the economy through state plans and other measures. There is an increasing level of freedom and autonomy in areas such as resource allocation, production and management and a gradual shift in emphasis to a market economy and enterprise reform.

The legal system of Vietnam differs, as well, from that of many countries belonging to the Organisation for Economic Co-operation and Development, and from most common law jurisdictions, in that the interpretation and the enforcement of laws are relatively uncertain and inconsistent. The laws and regulations of Vietnam are not well developed, and there is no system of binding case law and precedent. The laws and regulations are subject to broad and varying interpretations by government officials, courts and lawyers. The courts of Vietnam have the power to read implied terms into contracts, adding a further layer of uncertainty. As a result, government officials, courts and lawyers often express different views on the legality, validity and effect of a particular legal document. In addition, the views of a governmental authority received on a particular issue have no binding effect or finality, so there is no guarantee that similar issues will be dealt with in a similar way by other governmental authorities.

As part of its transition from a planned economy to a more market-oriented one, the Vietnamese government has implemented a series of economic reforms, including lowering trade barriers and import quotas to encourage and promote foreign investment. Since 1987, the Vietnamese government has promulgated a series of laws and regulations on local and foreign investment. Until 1 July 2006, when a new Investment Law and new Enterprise Law came into effect, there were two distinct legal regimes governing local investments and foreign investments in Vietnam. Under this former arrangement, foreign-owned companies were generally treated less favorably.

Although the new Investment Law and new Enterprise Law are applicable to both foreign and domestic investors, pending the full implementation and enforcement of the relevant implementing regulations, it remains to be seen precisely the extent to which foreign and domestic investors are in fact put on the same footing. Furthermore, because the new Investment Law decentralises administrative power significantly, the provincial governments will have more authority over the Group than they have had in the past. It is possible that rules implemented by the relevant provincial governments will diverge from the policy pronouncements of the national government and will in fact be prejudicial to the Group's interests. The new laws provide that foreign investors may generally be considered for compensation in the event that a change in Vietnamese law adversely affects the interests of the investors, but it is unclear how compensation would be determined or what the impact would be, as this statutory right has not been fully tested.

Although it is generally accepted that the Vietnamese government has made progress in economic reform and the development of laws and regulations, there remain inherent uncertainties and inconsistencies in the interpretation, implementation and enforcement of laws and government policies, including tax regulations. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition, depending upon the outcome of these experiments. Furthermore, there can be no assurance that the Vietnamese government will continue to pursue policies of economic reform or that any reforms will be successful or the impetus to reform will continue. If any of the changes adversely affect the Group and its business, or if the Group is unable to capitalise on the economic reform measures of the Vietnamese government, the business, operating results and financial condition of the Group could be adversely affected.

The adoption of new or amended laws and regulations could have a negative impact on the Group's operations

New or amended laws and regulations in Vietnam, including those relating to the protection of foreign investors or domestically owned companies, could negatively impact the Group's business and results of operations. Regulations dampening consumer demand also would likely lead to a decline in the Group's revenue, while more onerous requirements on factories or motorbikes would likely increase the Group's cost of sales.

From 2003 to 2005, the Vietnamese government had in place a policy known as "one person, one motorbike", restricting the ownership of multiple motorbikes by individuals. Before this restriction was lifted at the end of 2005, this policy contributed to a decline in the Group's revenue and profit. If the Vietnamese government reintroduced such a restriction or introduced economic measures to deter motorbike purchases, such as an increase in the registration fee payable by consumers in respect of each motorbike, the Group's sales volume could decline, which would be likely to negatively impact the Group's results of operations.

In 2007, the Vietnamese government began requiring that all motorbikes comply with stricter emissions standards known as Euro II. The implementation of more stringent emissions regulations and safety requirements by the Vietnamese government will likely increase the Group's cost base, necessitating higher expenditure to develop compliant products and leading to higher prices for compliant parts. A government requirement that all motorbike factories meet higher safety and quality standards would similarly raise the Group's cost base. Government measures that have the effect of increasing the Group's costs would negatively impact the Group's results of operations.

Vietnamese dong is not freely convertible, and its fluctuation can materially affect the Group's financial condition and results of operations

The Group generates a significant portion of its revenue in Vietnamese dong, which is not a freely convertible currency. For the years ended 31 December 2004, 2005 and 2006 and the six-month period ended 30 June 2007, approximately 96.5%, 90.9%, 90.6% and 90.8% of the Group's total revenue, respectively, was denominated in Vietnamese dong. Under the foreign currency exchange regulations of Vietnam, foreign-invested enterprises are permitted to repatriate profits from business operations in Vietnam through various means. The Vietnamese government has relaxed the regulations in respect of foreign exchange to allow foreign-invested enterprises to convert Vietnamese dong into foreign currencies through authorised foreign exchange bodies. There can be no assurance, however, that the Vietnamese government will continue to relax its foreign exchange regulations, that it will maintain the same foreign exchange policy or that there will be sufficient foreign currency, particularly U.S. dollars, available in the market for currency conversions. If, in the future, government regulations restrict the Group's ability to convert Vietnamese dong or there is insufficient foreign currency available in the market, the Group may be unable to meet its foreign currency payment obligations.

The foreign exchange management regime of Vietnam has transitioned from a system of fixed multiple exchange rates controlled by the State Bank of Vietnam to a system of flexible exchange rates regulated largely by market forces. The value of the Vietnamese dong has fluctuated in the past and is subject to changes in the Vietnamese government's political and economic policies. The Vietnamese government has taken a liberal approach to foreign exchange management in that the State Bank influences the exchange rate only through the financial markets and monetary policies. However, there can be no assurance that the government will continue to pursue a liberal management policy in respect of foreign exchange. If it does not do so, the Group's financing costs may increase and the Group's financial condition and results of operations may be adversely affected by changes in the value of the Vietnamese dong.

Vietnam's accession to the WTO, or other government policies tending to increase competition, may have a negative impact on the Group's future performance

On 31 May 2006, Vietnam and the United States concluded an agreement relating to Vietnam's accession to the WTO, whereby Vietnam agreed to further open its market to products and services from the United States and other countries. Vietnam completed its accession to the WTO in January 2007. As part of the WTO bilateral market access agreement, Vietnam will improve access for U.S. exports by significantly reducing tariffs on manufactured goods. On full implementation of the WTO agreement, Vietnam will reduce its tariffs on motorbikes and motorbike parts from all WTO member countries. As a consequence, the Group will have to compete effectively with imported motorbikes, as well as with companies manufacturing motorbikes domestically, if it is to maintain its position in the market. Failure by the Group to meet this challenge could have a negative impact on the business, financial condition and future prospects of the Group.

Other government policies tending to increase competition could also pose challenges for the Group. The removal of the requirement that motorbike manufacturers in Vietnam obtain licences to conduct their operations, for example, would lower the barriers to entry and could lead to greater competition, particularly at the low end of the market. This development could negatively impact sales of the Group's motorbikes, particularly SANDA cubs. Policies, such as this, that lead to higher levels of competition could have a negative impact on the Group's business, financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

The Company will continue to be controlled by SYI, whose interests may differ from those of other Shareholders

Prior to the Global Offering, the Company was a 90% owned subsidiary of SYI. Immediately following the Global Offering, SYI will own approximately 69.4% of the Company's issued share capital, assuming the Over-allotment Option is not exercised (or approximately 66.9%, assuming the Over-allotment Option is exercised in full). SYI is disposing of 29,280,000 Shares, which represent approximately 12.9% of the Offer Shares under the Global Offering, assuming the Over-allotment Option is not exercised (or approximately 11.2%, assuming the Over-allotment Option is exercised in full). Because a portion of the Offer Shares are Shares currently owned by the Selling Shareholders, the Company will receive only approximately 75.6% of the net proceeds of the Global Offering, assuming the Offer Shares are determined at the mid-point of the stated range and assuming Over-allotment Option is not exercised (or approximately 79.0%, assuming the Over-allotment Option is exercised in full).

Following the Global Offering, SYI will remain the Company's largest Shareholder and, subject to the Articles of Association and applicable laws and regulations, will be able to influence major policy decisions, including the Company's overall strategic and investment decisions by:

- controlling the election of Directors and, in turn, indirectly controlling the selection of senior management;
- determining the timing and amount of dividend payments;
- approving annual budgets;
- deciding on increases or decreases in share capital;
- determining the size and timing of any issues of new securities;
- approving mergers, acquisitions and disposals of the Group's assets or businesses; and
- amending the Articles of Association.

The interests of SYI, as the Company's major Shareholder, could conflict with the interests of other Shareholders. Accordingly, SYI may take actions (including, for example, approving an excessively high rate of dividend distributions) that favour its own interests and may not be in the best interests of other Shareholders.

Future sales of securities by the Company or by Shareholders may decrease the value of an investment in the Shares

Future sales of substantial amounts of Shares by the Company or its existing Shareholders could adversely affect the market price of Shares prevailing from time to time. Only a limited number of the Shares will be available for sale immediately after the Global Offering due to contractual and legal restrictions on resale. However, after these restrictions lapse or if these restrictions are waived or breached, sales of substantial amounts of Shares, including Shares issued upon exercise of any options or warrants, or the possibility of such sales, could negatively impact the market price of the Shares and the Company's ability to raise equity capital in the future.

There has been no prior market for the Shares, and the Hong Kong Public Offering may not result in an active or liquid market for these securities, which could adversely affect the market price of the Shares

Prior to the Global Offering, there has not been a public market for the Shares. The Stock Exchange has granted approval in principle for the application to list the Shares. This approval in principle constitutes a conditional approval for the Hong Kong Public Offering that is subject to the satisfaction of the relevant documentary requirements of the Listing Rules, satisfaction of the Listing Division of the Stock Exchange with the contents of the prospectus and any other conditions or amendments that the Listing Committee may request prior to commencement of trading of the Shares on the Stock Exchange. However, an active public market may not develop or be sustained after the Global Offering. If an active market for the Shares does not develop after the Global Offering, the market price and liquidity of the Shares may be adversely affected.

The Offer Price may not be indicative of prices that will prevail in the trading market, and such market prices may be volatile

The Offer Price for the Shares has been determined by negotiation between the Company (for itself and on behalf of the Selling Shareholders) and the Global Coordinator (on behalf of the Underwriters) and may not be indicative of the price that will prevail in the trading market. Investors may not be able to resell their Shares at or above the Offer Price. The financial markets in Hong Kong have experienced significant price and volume fluctuations, and market prices of certain companies' shares have been and continue to be extremely volatile. Volatility in the price of the Shares may be caused by factors outside the Group's control and may be unrelated or disproportionate to changes in the Group's operating results.

There are risks associated with forward-looking statements

This prospectus contains certain statements that are forward-looking, often indicated by the use of words such as "anticipate", "believe", "could", "expect", "estimate", "may", "should" or "will" or similar terms. These forward-looking statements address, among other topics, the Group's growth strategy and its expectations concerning its future operations, results, liquidity and capital resources. Prospective investors are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although the Directors believe the assumptions on which the forward-looking statements are based and that the judgments used in their extrapolation are reasonable, any or all of those assumptions or judgments could prove to be incorrect and, as a result, the forward-looking statements could also be incorrect. The uncertainties in this regard include those identified in the section headed "Risk Factors", many of which are not within the Group's control. In light of these and other uncertainties, the forward-looking statements in this prospectus, including those in the section entitled "Financial Information", should not be regarded as representations by the Group that its plans, results, expectations or objectives will be achieved, and investors should not place undue reliance on such statements.

It may be difficult to effect service of process upon, or secure judgments against, the Company or its Directors or officers

Substantially all of the senior management of the Group reside in either Taiwan or Vietnam, and substantially all of the assets of such persons are located outside Hong Kong. It may not be possible for investors to effect service of process upon such persons within Hong Kong or to enforce against such persons any judgments obtained in courts in Hong Kong. Neither Taiwan nor Vietnam has a treaty or an arrangement providing for the recognition or enforcement of civil judgments of the courts of the United Kingdom, the United States or most other western countries or Hong Kong. Therefore, the recognition and enforcement in Taiwan or Vietnam of judgments obtained in such jurisdictions may be impossible. In addition, there is substantial doubt as to the enforceability of original actions brought in Taiwan or Vietnam which are predicated on the laws of the United Kingdom, the United States or most other western countries or Hong Kong.

Certain facts, forecasts and statistics contained in this prospectus relating to Vietnam, its economy and the motorbike industry are derived from official government publications where not otherwise indicated, the reliability of which should not be assumed and cannot be assured

Certain facts, forecasts and statistics in this prospectus that do not relate directly to the Group's operations, including those relating to Vietnam, its economy and the motorbike industry in the section headed "Industry Overview" and elsewhere, have been derived or extracted from official government publications unless otherwise indicated. Such information has not been independently verified and may be inaccurate, incomplete or out-of-date. The Group makes no representation as to the accuracy or completeness of any information sourced from government publications or reported by any government, and investors should not place undue reliance on such information.

Investors should read the entire prospectus carefully and the Group strongly cautions investors not to place any reliance on any information contained in press articles or other media, certain of which may not be consistent with information contained herein

There has been press coverage regarding the Group and the Global Offering in, among others, Apple Daily on 23 November 2007, which included certain information about the Group (the "**Information**"). The Group wishes to emphasise to potential investors that it does not accept any responsibility for the accuracy or completeness of the Information and that the Information was not sourced from or authorised by the Group. It makes no representation as to appropriateness, accuracy, completeness or reliability of any of the Information. To the extent that any of the Information is inconsistent with, or conflicts with, the information contained in this prospectus, the Group disclaims it. Accordingly, prospective investors should not rely on any of the Information.