

RISK FACTORS

Prospective applicants for the Offer Shares should consider carefully all of the information set out in this prospectus and, in particular, the following risk factors in connection with any investment in the Company.

RISKS RELATING TO THE GROUP

Expired prepaid beauty packages

For beauty-related services, including beauty and facial services, spa and massage services and slimming service, the Group normally charges customers by way of prepaid beauty packages.

These prepaid beauty packages have a validity period of two years from date of purchase, which may be extended for one additional year at the discretion of the Group. For financial reporting purposes, prepaid beauty packages over three years from the date of purchase are fully recognised as sales. The table below set out (i) the amount of profits attributable to the recognition of expired prepaid beauty packages and (ii) profits attributable to the recognition of expired prepaid beauty packages as percentage of the Group's net profits during the three years ended 31st March, 2005 and the four months ended 31st July, 2005, respectively:

	Year ended 31st March,			Four months ended
	2003	2004	2005	31st July, 2005
Profit attributable to the recognition of expired prepaid beauty packages	HK\$7.8 million	HK\$44.8 million	HK\$58.4 million	HK\$13.3 million
As percentage of the Group's net profits	20.0%	72.8%	55.5%	39.0%

Such profits attributable to the recognition of expired prepaid beauty packages may not recur in the future. In such case, the financial results of the Group may be affected. In addition, substantial amount of expired prepaid beauty packages may lead to complaints or litigation from customers.

Large amount of deferred revenue

For beauty-related services, including beauty and facial services, spa and massage services and slimming service, the Group normally charges customers by way of prepaid beauty packages.

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These prepaid beauty packages are recorded as deferred revenue in the balance sheet at the point of sales and have a validity period of two years, which may be extended for one additional year at the discretion of the Group. For financial reporting purposes, prepaid beauty packages are recognised as sales from time to time in the profit and loss account when the service treatments are delivered to customers. Prepaid beauty packages over three years from the date of purchases are also fully recognised as sales. The Group's recognition method results in large amount of deferred revenue. As at 31st March, 2003, 2004, 2005 and 31st July, 2005, deferred revenue of the Group amounted to approximately HK\$482.6 million, HK\$520.2 million, HK\$549.9 million, and HK\$562.7 million, respectively. The deferred revenue represented the major source of funding of the Group to finance its operational cashflow. The ratio of deferred revenue to sales attributable to provision of beauty and healthcare services for each of the three years ended 31st March, 2005 were approximately 1.57, 1.60, and 1.46, respectively. The ratio increased from approximately 1.57 in 2003 to approximately 1.60 in 2004 which indicated that the rate of growth of deferred revenue was faster than the rate of growth in sales attributable to provision of beauty and healthcare services. With the aggressive sales promotion, additional receipts from customers rose significantly from approximately HK\$318.1 million in 2003 to approximately HK\$407.6 million in 2004, which out-rated the total increase in sales attributable to provision of beauty and healthcare services from approximately HK\$308.3 million in 2003 to approximately HK\$325.2 million in 2004 arose from the increase of gross floor area from an average total gross floor area of approximately 181,000 sq.ft. in 2003 to approximately 184,000 sq.ft. in 2004 and the increase sales attributable to the recognition of expired prepaid beauty packages from approximately HK\$7.8 million in 2003 to approximately HK\$44.8 million in 2004.

The ratio decreased from approximately 1.60 in 2004 to 1.46 in 2005 which indicated that the rate of growth of deferred revenue was slower than the rate of growth in sales attributable to provision of beauty and healthcare services. With the significant increase in gross floor area from an average total gross floor area of approximately 184,000 sq.ft. in 2004 to approximately 210,000 sq.ft. in 2005, the sales for provision of beauty and healthcare services increased significantly from approximately HK\$325.2 million in 2004 to approximately HK\$377.8 million in 2005. Together with the increase in the sales attributable to the recognition of expired prepaid packages amounted to approximately HK\$44.8 million in 2004 to approximately HK\$58.4 million in 2005, this has exceeded the increase in additional receipts from customers from approximately HK\$407.6 million in 2004 to approximately HK\$465.9 million in 2005 arose from the growth in gross floor area. Please refer to note 17 in Appendix I to this prospectus for movement of deferred revenue during the three years ended 31st March, 2005 and the four months ended 31st July, 2005.

Should these prepaid beauty packages not be utilised by customers within their validity period, they will be fully recognised as sales in accordance with the Group's recognition policy. In such case, owners of these expired prepaid packages will not be entitled to enjoying services of the Group. This may lead to complaints and claims against the Group and adversely affect the image and reputation and therefore business of the Group.

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Reliance on reputation in the industry

The Group's success depends to a significant extent on its brandname recognition and reputation in the industry in Hong Kong. The Group has been involved in a number of litigation cases in respect of rental and renovation of premises, other business contractual claims, dispute with an ex-director of repayment of loan advancement and payment of director's fees and dividends, disputes with employees and claims filed by customers with the Hong Kong Consumer Council and Hong Kong Small Claims Tribunal. The existence of such litigation cases and claims may adversely affect the Group's reputation and image and therefore its business.

Customer complaints and litigation

The Group is principally engaged in the provision of beauty and healthcare services to customers and the Group may receive complaints and/or claims from customers for the services provided by it from time to time. As at the Latest Practicable Date, the complaints and/or claims against by the Group include complaints received by the Hong Kong Consumer Council, and claims filed at Hong Kong Small Claims Tribunal, Hong Kong District Court and Hong Kong High Court in respect of breach of contracts (such as dispute over nature of the service received and payment method), contents of advertisements (such as different perceptions of services or treatments provided) and personal injuries (such as allergies and pigmentation) in relation to the services provided.

Further, the Group has also been involved in litigation in respect of rental and renovation of premises (such as claim for return of rental deposit and outstanding renovation payment), other business contractual claims (such as dispute over software design services provided by a third party), dispute with an ex-director over repayment of loan advancement and payment of director's fees and dividends and disputes with employees. As at the Latest Practicable Date, the claims and litigation claimed by the Group against third parties in aggregate amounted to approximately HK\$36,455,000 and all the claims and litigation claimed against the Group together involved an amount of approximately HK\$7,553,000, which were calculated based on the amount stated in the documents of legal proceedings. While the Directors believe that the claims and litigation claimed by the Group against third parties should not have any material adverse impact on the business and financial position of the Group, the sum involved in the claims and litigation claimed against the Group may not represent the maximum financial exposure of the Group and excludes the amount of professional fees and/or other costs incurred in handling the litigation/dispute matters.

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Among the outstanding litigation and claims as at the Latest Practicable Date, the following six cases (or category of cases) involve relatively larger amounts of claims:

Particulars of cases or category of cases	Approximate amount of claim initiated by the Group as at the Latest Practicable Date (HK\$)	Approximate amount of counter-claim/ claim against the Group as at the Latest Practicable Date (HK\$)
Mr. Kwong Ping Sun Danny (<i>Note 1</i>)	29,510,000	6,100,000
Dispute over a contract involving renovation work (<i>Note 2</i>)	3,713,000	519,000
MUI Music Limited and the personal representative of Mui Yim Fong (Deceased) (<i>Note 3</i>)	2,300,000	To be assessed by the court (plus interest and legal costs)
Dispute over a software design contract (<i>Note 4</i>)	441,000	158,000
Dispute over a tenancy agreement (<i>Note 5</i>)	281,000	Not applicable
Provision of beauty-related services (<i>Note 6</i>)	Not applicable	776,000
Others	<u>210,000</u>	<u>Nil</u>
Total	<u><u>36,455,000</u></u>	<u><u>7,553,000</u></u>

Notes:

- On 17th May, 2001, a Hong Kong High Court action was commenced by Modern Beauty Saloon Limited against Kwong Ping Sun Danny in respect of a claim of HK\$29,510,244.34 plus damages, interest and costs for breach of director's duties and money owed to Modern Beauty Saloon Limited. Kwong Ping Sun Danny filed a counter-claim on 28th June, 2001 against Modern Beauty Saloon Limited for a liquidated sum of HK\$6,100,000 and interest. Based on the opinion from legal advisor who did not act for any of the parties involved in this case, the Group has good grounds of success and the counter-claim made against the Group is unlikely to succeed, thus it is not expected that the Group will have any ultimate liability for this case. The Directors are, therefore, of the view that this litigation should not have any material adverse impact on the business or financial position of the Group.
- On 23rd June, 2003, a Hong Kong District Court action (the case was transferred to the Hong Kong High Court on 16th August, 2004) was commenced by Creative Elite Limited against Modern Beauty Saloon Limited in respect of a claim of HK\$519,449.09 plus interest and costs for the outstanding payment in relation to the renovation work performed by Creative Elite Limited on shops of Modern Beauty Saloon Limited. On 25th August, 2003, Modern Beauty Saloon Limited filed a counter-claim for HK\$3,712,673.25 plus interest and costs in respect of damages and loss of profit for sub-standard performance of renovation work at its shops. The legal advisor of Modern Beauty Saloon Limited handling this case opined that Modern Beauty Saloon Limited is unlikely to bear any ultimate liability. As such, the Directors are of the view that this litigation should not have material adverse impact on the business or financial position of the Group.

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3. On 4th November, 2004, a Hong Kong High Court action was commenced by Modern Advertising (HK) Limited against MUI Music Limited and the personal representative of Mui Yim Fong (Deceased) in respect of a claim of HK\$2,300,000 for making misrepresentations to induce Modern Advertising (HK) Limited to enter into a spokesperson agreement. On 16th December, 2004, MUI Music Limited and the personal representative of Mui Yim Fong (Deceased) filed a counter-claim against Modern Advertising (HK) Limited for an amount to be assessed by the court in respect of the benefit which Modern Advertising (HK) Limited had obtained before the time of discharge of the agreement pursuant to sections 16(3) and 16(6) of the Law Amendment and Reform (Consolidation) Ordinance (Chapter 23 of the Laws of Hong Kong). The Group's legal advisor handling this case opined that MUI Music Limited and the personal representative of Mui Yim Fong (Deceased) do not have any ground for its counter-claim and therefore, the Group is unlikely to bear any ultimate liability. The Directors are of the view that this litigation should not have material adverse impact on the business or financial position of the Group.
4. On 2nd January, 2003, a Hong Kong District Court action was commenced by Modern Beauty Saloon Limited against CyberM Information Technology Limited in respect of a claim of HK\$440,814 plus interest and costs for failing to perform the contractual obligations under a contract for the supply of software solution and the implementation of computer services. CyberM Information Technology Limited filed a counter-claim on 12th February, 2003 for HK\$157,500 plus interest and costs in respect of the amount of unpaid invoices for the services provided. The Directors are of the view that, since Modern Beauty Saloon Limited is the plaintiff in this case and an indemnity will be provided, the counter-claims should not have material adverse impact on the business or financial position of the Group.
5. On 27th September, 2003, a Hong Kong District Court action was commenced by Modern Beauty Saloon Limited against Hing Yip Investment Company Limited and Fervent Estate Limited in respect of a claim of a liquidated sum of HK\$280,729 plus interest for the balance of rental deposit to be returned upon Modern Beauty Saloon Limited delivering up vacant possession of the premises in accordance with a tenancy agreement dated 23rd August, 2001. The legal advisor of this case opined that Hing Yip Investment Company Limited and Fervent Estate Limited did not make any counter-claim and it is unlikely for Modern Beauty Saloon Limited to bear any ultimate liability save as to costs. The Directors are, therefore, of the view that this litigation should not have material adverse impact on the business or financial position of the Group.
6. This category of cases include claims in respect of damages for breaches of provision of beauty-related service contracts, misrepresentation to induce into a sales contract, returns of pre-payment and personal injuries as a result of negligence on the part of the independent contractors.

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For each of the three years ended 31st March, 2005 and the four months ended 31st July, 2005, the Group received the following claims (including counterclaims) lodged by customers in courts in Hong Kong:

	For the year ended 31st March, 2003	For the year ended 31st March, 2004	For the year ended 31st March, 2005	For the four months ended 31st July, 2005
Number of claims in small claims tribunal in Hong Kong	13	12	13	6
Number of claims in Hong Kong District Court	Nil	2	1	Nil
Number of claims and counterclaims in Hong Kong High Court	Nil	3	Nil	Nil

There were approximately 83, 89, 61 and 27 complaints filed with the Hong Kong Consumer Council against the Group for each of the three years ended 31st March, 2005 and the four months ended 31st July, 2005, respectively.

The major reasons for customers' complaints are (i) difficulty in booking for treatment at specific time slots, (ii) dissatisfaction with quality of services; (iii) injury due to services provided by the Group, and (iv) aggressive sales attitude of staff. The amount involved in these complaints ranged from HK\$500 to HK\$124,500.

The Group has made refund of prepaid service packages to relevant customers in the amount of approximately HK\$139,000, HK\$229,000, HK\$138,000 and HK\$143,000 for each of the three years ended 31st March, 2005 and the four months ended 31st July, 2005, respectively. Subsequent to 31st July, 2005 and up to the Latest Practicable Date, the Group has made refund of prepaid service packages in the amount of approximately HK\$432,280 which included refund of prepaid beauty packages of HK\$213,800 to a customer suffering from paranoid schizophrenia whilst making purchase of beauty packages. In general, the Group determines on a case-by-case basis whether a refund of prepaid packages is justified. Particular circumstances such as illness, allergy to the services rendered, death or emigration will be considered by the Group in determining whether refund of prepaid packages would be made. The compensation paid to relevant customers for injuries due to the services provided by the Group for each of the three years ended 31st March, 2005 and the four months ended 31st July, 2005 was approximately nil, HK\$17,000, HK\$21,000 and HK\$40,000, respectively. Subsequent to 31st July, 2005 and up to the Latest Practicable Date, compensation paid by the Group was approximately HK\$3,100. Factors like the nature, cause and extent of the injury will be taken into account by the Group in considering whether compensation should be made.

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Further details of the litigation claims of material importance which are known to the Directors pending or threatened against the Company or any of its subsidiaries are set out under the paragraph headed “Litigation” in Appendix V to this prospectus. The above complaints, claims or litigations against the Group may have negative effect on the Group’s image and accordingly, its business. In addition, if any of the outstanding claims against the Group is upheld, the financial position of the Group may be adversely affected.

Investing activities

The business model of the Group provides it with stable cash inflows and substantial amount of surplus fund on hand. A portion of the surplus funds will be allocated to certain investing activities to increase returns on the surplus funds. The amount to be invested by the Group in other investments/financial assets, in general, will not exceed 40% of the total amount of savings and current accounts and fixed deposits (excluding pledged bank deposits). Such investing activities may or may not be profitable. In the event that the Group suffers losses from these investing activities, its profitability and financial position may be adversely affected.

High operating leverage

For beauty related services, the Group normally charges customers by way of prepaid beauty packages. Such prepaid packages are recorded as deferred revenue in the balance sheet at the point of sales. The deferred revenue represented the major sources of funding of the Group to finance its operational cashflow. As at 31st March, 2003, 2004, 2005 and 31st July, 2005, deferred revenue of the Group amounted to approximately HK\$482.6 million, HK\$520.2 million, HK\$549.9 million and HK\$562.7 million, respectively. In the event that the Group cannot continue to charge its customers by prepayment mode, the Group’s operation may be adversely affected.

No assurance of success of planned business expansion

The Group is engaged in an effort to effectuate an opening of additional service centres to expand its operations. There can be no assurance that this business expansion will be realised. Further, the success of this planned business expansion may be affected by many other factors which are not in the Group’s control, such as economic developments affecting the Group’s business. The Group needs to obtain new leases or renew the existing ones to secure new or existing centres, and there can be no assurance that the existing leases can be renewed or obtained or that the Group can secure suitable locations for new centres. Furthermore, there is no assurance that the new service centres, if opened, will operate profitably.

Dependence on key personnel

The Directors believe that the expertise and experience of Ms. Tsang, the founder of the Group and an executive Director, in the areas of beauty and healthcare services has been a significant factor contributing to the Group’s success. Although the Company has entered into a service contract with

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Ms. Tsang for an initial fixed term of three years commencing from the Listing Date and Ms. Tsang intends to remain as part of the Group's management upon expiry of such initial term, Ms. Tsang may cease to be involved in the Group's management in the future and that may have a material adverse effect on the Group.

Non-renewal of leases or substantial increase in rent

Out of the Group's 15 service centres, 13 are leased from Independent Third Parties. Out of these tenancy agreements, one will expire in the year ending 31st March, 2006, five will expire in the year ending 31st March, 2007, three will expire in the year ending 31st March, 2008 and four will expire in the year ending 31st March, 2009. Furthermore, under the terms of various tenancy agreements, the respective landlords are contractually entitled to serve notice on the Group for early termination of the tenancy agreements on the grounds of sale/redevelopment of the premises or other stipulated grounds. There is no assurance that each of these leases can be renewed upon expiry or on terms and conditions that are acceptable to the Group. If such leases are not renewed or are terminated early, the Group will have to vacate the relevant premises. There is no assurance that the Group will be able to find other suitable premises for its service centres. In the event that the leases are not renewed or terminated and the Group is unable to locate suitable premises, the number of service centres in operation would be reduced and that may have material adverse impact on the Group's financial position. Even if the Group is able to re-locate to suitable premises, it will have to incur relevant renovation expenses.

There has been a general upward trend in rentals for commercial properties in Hong Kong recently. Given the relatively short term nature of the lease of each of the Group's service centres in Hong Kong, any substantial increase in rental expenses in the future may have a material adverse impact on the Group's financial position.

Reliance on a single geographical market

The business operations of the Group are based in Hong Kong. For each of the three years ended 31st March, 2005 and the four months ended 31st July, 2005, sales derived in Hong Kong market accounted for approximately 98.6%, 97.9%, 97.3% and 96.0%, respectively, of the Group's total sales. In the event of any adverse changes in the Hong Kong economy, the Group's profitability and performance may be adversely affected.

Dividend policy

For each of the three years ended 31st March, 2005 and the four months ended 31st July, 2005, the Group declared and paid dividends in the amounts of approximately nil, nil, HK\$9.4 million and HK\$118.0 million, respectively.

There is no assurance that future amounts or rates of dividend will be similar to those in the past and potential investors should note that the above dividend payment should not be used as a reference or basis for the determination of the Company's future dividend policy. Although the Directors currently intend to declare and recommend dividends which would in total amount to not less than 70% of the profit attributable to equity holders of the Company on pro-rata basis for the year ending

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31st March, 2006 and 60% for the financial year ending 31st March, 2007, there can be no assurance that dividends will be paid in the future. Further details of the dividend policy of the Company are set out in the paragraph headed “Dividends” under the section headed “Financial information” of this prospectus.

Trade or service marks registration and possible infringement

The Group has registered or applied for registration in Hong Kong and other territories, including Singapore, the PRC and Malaysia, all trademarks or service marks currently being used by the Group for the operation of its business. In respect of the application for registration of trademarks and service marks, there is no guarantee that such applications will not be challenged by third parties and will be successful. Potential investors should be aware that should any of such applications be challenged, rejected or unsuccessful, or if the Group is unable to obtain registrations for trademarks or service marks in other territories where the Group plans to expand its business, there is a risk that the Group may be unable to enforce its rights in the relevant trademarks or service marks in such territories and therefore the Group’s image, operating results and business may be adversely affected. In respect of the trademarks or service marks which will expire in the coming years, there is a risk that the registration of trademarks or service marks cannot be renewed before their respective expiry and therefore the relevant trademarks or service marks cannot be properly protected.

The Directors are not aware of any material infringement of the Group’s trademarks and service marks in the past. However, the Group’s image and profitability may be adversely affected if there is any infringement of the Group’s trademarks or service marks.

Further, the Group has granted and will continue to grant license to JF (Singapore) Group authorising JF (Singapore) Group to use the trademarks owned by the Group. In the event that the licensed trademarks are misused by JF (Singapore) Group, the Group’s image and profitability may also be adversely affected.

Details of the intellectual property rights of the Group are set out in the paragraph headed “Intellectual property” in the section headed “Further information about the business” in Appendix V to this prospectus.

Service and product liability

The Group has taken out an insurance with a claim limit of HK\$5,000,000 against liability for certain beauty and healthcare products sold by it in Hong Kong. Save for the aforementioned, it has not taken out any insurance against liability for the beauty and healthcare products sold and services provided by it. Should any material liability claim be brought against any member of the Group, it could adversely affect the business reputation or the operations of the Group.

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Services rendered by independent contractors

The Group has engaged qualified professional independent contractors to provide services such as slimming and photofacial services to its customers. Despite these persons being engaged as independent contractors, there is no assurance that customers will not bring claims against the Group for any default or negligence of the independent contractors. During the three years ended 31st March, 2005 and up to the Latest Practicable Date, the Group has not made any compensation for default or negligence of the independent contractors. As at the Latest Practicable Date, there have been two claims/demands against the Group in respect of skin-burn resulting from treatments performed by independent contractors. Should further and larger claims be brought against the Group on the default or negligence of the independent contractors, it may have a negative effect on the business image of the Group.

RISKS RELATING TO THE INDUSTRY

Competition

The beauty industry is characterised by vigorous competition and rapidly changing market trends throughout the world, and especially for the slimming services market, there has been severe competition among the service providers in recent years. To the Directors' knowledge, certain service providers experienced a decline in the profitability of providing slimming services. With the general shifting of consumer preferences to new, innovative and high performance services and products, the Group competes against other beauty products and services providers. Increased competition could result in price reduction and loss of market share, any of which could materially and adversely affect its profit margin and operating results. Competitors of the Group may be able to respond more rapidly to new and innovative products and services, changes in consumer spending habits, or devote greater resources to the development, promotion and sale support of their products and services.

Although the Directors believe that the Group's services and products currently compete with respect to the abovementioned factors, there is no assurance that the Group can maintain its competitive position against current and potential competitors, especially those with significantly greater financial, marketing, support, technical and other resources.

Ability to identify and respond to changing trends

Success of operators in the beauty service industry depends, in part, their ability to identify and respond in a timely manner to changing consumer demand, which is affected by general trends of beauty and health awareness of the public. Accordingly, any failure of the Group to identify or react appropriately to changes in demands and trends could lead to problems such as excess inventories and consequently affect the profitability of the Group.

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Reliance on experienced, skilled and qualified staff

Operators in the beauty service industry rely on, to a significant extent, experienced, skilled and qualified staff to provide beauty and healthcare services to its customers. These staff possesses the relevant experience, skills and qualification in delivering the required services to its customers. With regard to the Group, without sufficient number of such staff, the Group will be hindered in pursuing its expansion strategy and its business may be harmed.

Regulation of beauty industry in Hong Kong

In 2004, the beauty industry in Hong Kong announced to initiate a code of practice in a concerted effort to enhance self-regulation and strengthen consumer confidence. A special task force has been set up to study and formulate the code of practice, initially with the Hong Kong Consumer Council as the convenor and members drawn from trade bodies and related sectors. The code of practice intends to ensure transparency in information disclosure and communication with customers, as well as the means of redress mechanism, and further, to empower the industry to curb unfair trade practices.

The Directors anticipate that further regulatory control on the quality of the services provided by beauty and slimming centres, either by way of codes of practice or legislation, will be implemented for enhancement of the quality of services and protection of interests of consumers. As the details of such proposed code or legislation is yet to be finalised or published, the introduction of code or special legislative regime, if any, may result in an increase in the cost of operation of the Group which may affect the future profitability of the Group.

RISKS RELATING TO POLITICAL AND ECONOMIC CONSIDERATIONS

Political considerations of Hong Kong

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

Economic considerations of Hong Kong

The Group’s performance is dependent on the overall state of economy in each consumer market where its services and products are being sold. Any adverse change in the economic conditions of such markets will reduce demand for the Group’s services and products, thus adversely affecting the Group’s operating results.

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RISK RELATING TO THE SHARE OFFER

Protection of interests of minority shareholders under the laws of the Cayman Islands

The Company's corporate affairs are governed by its memorandum and articles of association, by the Companies Law and by the common law of the Cayman Islands. The laws of the Cayman Islands relating to protection of interests of minority shareholders and the fiduciary responsibilities of directors may differ from the laws of Hong Kong and the corresponding remedies available to such shareholders may differ accordingly. A summary of the laws of the Cayman Islands relating to protection of minority shareholders is set forth in Appendix IV to this prospectus.

RISK RELATING TO AVIAN INFLUENZA

The outbreak, exacerbation or continuance of avian influenza in the world, including Hong Kong, may interrupt the business operations of the Group. In particular, if certain buildings are quarantined as a result of avian influenza, the Group may not be able to provide services in such buildings for certain periods of time. Based on the nature of the Group's business, the Directors generally believe that avian influenza does not have a significant direct adverse impact on the demand for the Group's services. However, there is no assurance that there will not be any direct or indirect adverse impact on the business operations of the Group arising from any effect on the economy of Hong Kong or other parts of the world or otherwise as a result of any outbreak, exacerbation or continuance of avian influenza.