

INNO-TECH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

PLACING AND PUBLIC OFFER



Sponsor



HANTEC CAPITAL LIMITED

Lead Manager



IPO SECURITIES LIMITED

IMPORTANT

If you are in any doubt about this prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.



Inno-Tech Holdings Limited

匯創控股有限公司*

(incorporated in Bermuda with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING AND PUBLIC OFFER

Number of Offer Shares	:	120,000,000 Shares (subject to Over-allotment Option)
Number of Placing Shares	:	108,000,000 Shares (subject to adjustment) comprising 84,000,000 New Shares and 24,000,000 Sale Shares
Number of Public Offer Shares	:	12,000,000 New Shares (subject to adjustment)
Offer Price	:	\$0.28 per Share
Nominal value	:	\$0.01 each
Stock code	:	8202

Sponsor



HANTEC CAPITAL LIMITED

Lead Manager



IPO SECURITIES LIMITED

Underwriters

**IPO Securities Limited
South China Securities Limited
Kingston Securities Limited
Stockwell Securities Limited**

**Hantec Capital Limited
CM-CCS Securities Limited
Vermont Securities Co., Ltd.
Tai Wah Securities Limited**

The Stock Exchange of Hong Kong Limited and the Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance of Hong Kong. A copy of this prospectus, together with copies of the application forms, has also been filed with the Registrar of Companies in Bermuda in accordance with Section 26 of the Companies Act 1981 of Bermuda. The Securities and Futures Commission of Hong Kong, the Registrar of Companies in Bermuda and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

Prospective investors of the Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreement by notice in writing to the Company given by Hantec, acting as the sponsor to the Public Offer and on behalf of all the Underwriters, upon the occurrence of any of the events set forth under the sub-section headed "Grounds for termination" in the section headed "Underwriting" in this prospectus at any time prior to 5:00 p.m. (Hong Kong time) on the business day (meaning a day, excluding Saturday, on which banks are open for business in Hong Kong) next following the date of the close of application lists for the Public Offer. Such events include, but without limitation to, any act of God, war, civil commotion, fire, flood, explosion, strike or lock-out.

* For identification purposes only

CHARACTERISTICS OF GEM

Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the company operates. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

2002

Application lists open (<i>Note 2</i>)	11:45 a.m., Friday, 2nd August
Latest time for lodging WHITE and YELLOW application forms	12:00 noon, Friday, 2nd August
Application lists close (<i>Note 2</i>)	12:00 noon, Friday, 2nd August
Announcement of the indication of the level of interests in the Placing, the results of applications in respect of the Public Offer and the basis of allotment of the Public Offer Shares (with successful applicants' identification number, where appropriate) to be published in The Standard (in English), the Hong Kong Economic Times (in Chinese) and on the GEM website on or before	Wednesday, 7th August
Refund cheques in respect of wholly or partially unsuccessful applications to be posted or available on or before (<i>Note 3</i>)	Thursday, 8th August
Shares certificates to be posted or available on or before (<i>Note 3</i>)	Thursday, 8th August
Dealings in the Shares on GEM to commence on	Monday, 12th August

Notes:

1. All times refer to Hong Kong local time.
2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. to 12:00 noon on Friday, 2nd August, 2002, the application lists will not be open on that day. Please refer to the paragraph headed "Effect of bad weather on the opening of the application lists" under the section headed "How to apply for the Public Offer Shares" in this prospectus.
3. If you are using a **WHITE** application form to apply for 1,000,000 Public Offer Shares or above and have indicated on your application form that you intend to collect your share certificates and refund cheque (if any), you may collect them in person from the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, between 9:00 a.m. and 1:00 p.m. on Thursday, 8th August, 2002 or on the date notified by the Company on the GEM website as the date of despatch of share certificates and refund cheque. Applicants being individuals who opt for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporations' chops. Both individuals and authorised representatives (if applicable) must produce at the time of collection evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you have opted for personal collection but do not collect your share certificates and refund cheque (if any) by 1:00 p.m. on Thursday, 8th August, 2002, they will be sent to the address on your application form shortly after the date of despatch, by ordinary post at your own risk. If you apply for 1,000,000 Public Offer Shares or above and have not indicated on your application form that you will collect your share certificates and refund cheque (if any) in person, then your share certificates and refund cheque (if any) will be sent to the address on your application form on the date of despatch, by ordinary post at your own risk.

If you are using a **YELLOW** application form, please refer to the paragraph headed "Collection/posting of share certificates/refund cheques and deposit of share certificates into CCASS" under the section headed "How to apply for the Public Offer Shares" in this prospectus.

If there is change in the above expected timetable, the Company will issue a separate announcement.

For details of the conditions of the Share Offer, please refer to the section headed "Structure of the Share Offer" in this prospectus.

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You should rely only on the information contained in this prospectus and the application forms to make your investment decision.

The Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not made nor contained in this prospectus must not be relied on by you as having been authorised by the Company, Hantec, the directors of any of them, or any other person involved in the Share Offer. Contents of the Company website www.cyberliving.com.hk do not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are greater risks associated with investment in companies listed on GEM than companies listed on the Main Board. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” on pages 27 to 32 of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

DESCRIPTION OF BUSINESS

The Group is a software application solutions provider in the property market in the PRC, and is principally engaged in (i) the design of Residential Intranet including the recommendation of network layout, advice on procurement of hardware and evaluation of software application; and (ii) the provision of e-property management software application consulting services, including the design, development, installation, maintenance and upgrade of e-property management software application.

The Residential Intranet designed by the Group is an open platform which allows household units to link up with each other within the community and in turn forms an inter-community network.

The Group’s e-property management software application aims to offer tailor-made property and household management solutions to facilitate property developers to automate property management functions and to enable residents, through the Residential Intranet, to access a variety of information and services in relation to e-commerce, e-communication and e-convenience.

During the Track Record Period, the Group’s turnover was entirely attributable to the provision of the design of Residential Intranet and e-property management software application design, development and installation services to the PRC property developers.

The Directors believe that the principal benefits gained from the Group’s e-property management software application for the property developers include an increase in property management efficiency, a strengthened security management, quick access to the statistical and marketing information that is required to manage lodging properties and an enhancement in household to household and household to communities communications. The Group’s e-property management software application will allow the property management company to analyse and monitor the environment of the community in a more effective manner.

The Directors consider that the quality of the Group’s consulting service will be enhanced by the synergistic value of the Group’s e-property management software application, and the Group will be able to provide a “one-stop” service for customers implementing full-fledge Intranet network.

HISTORY AND DEVELOPMENT

The Group was founded in August 1999 with an aim to provide services in relation to the design of Residential Intranet and e-property management software application consulting services to property developers in the PRC.

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At that time, the Directors anticipated that there was a potential market for the development of computerised e-property management system and the provision of related services in the PRC as broadband network had become one of the basic facilities of properties developed by the property developers. The Directors therefore conceived a strategy to integrate the Smart Home concept into its e-property management consulting services and in October 1999 the Group commenced to design and develop e-property management software application in order to seize such immense business opportunities.

On 20th December, 1999, being the commencement of its active business pursuits, the Group entered into its first consulting agreement with a property developer in Shanghai, the PRC. Pursuant to the said agreement, the Group agreed to provide consulting services such as detailed market analysis, feasibility study on e-property management system and Residential Intranet design. The Directors consider that the Group has been pursuing a focus line of business of design and consulting services to its PRC clients for the development of e-property management systems since the commencement of its business.

The Group operated with no banking accounts during the period from 23rd August, 1999 to 31st March, 2000. All receipts and payments of the Group were arranged and made by a Director on behalf of the Group and were recorded through the current account with such Director during the corresponding period. In addition, no purchase of fixed assets was made during the said period as the Group had made an arrangement with Land First Holdings Limited, a company wholly owned by Ms. YY Wong, for sharing office space and equipment at a monthly fee of \$6,000 during the corresponding period. The Directors are of the view that it is a reasonable practice to minimise the overhead of the Group at the preliminary stage of operation as its sales volume was comparatively low at that time.

Since its establishment, the Group has entered into various memoranda of understanding or agreements with software vendor, a hardware manufacturer, an ISP and a system integrator to further develop the e-property management system so as to meet its customers' ever changing needs.

BUSINESS MODEL

Residential Intranet design

The Group has been providing design services for property developers who seek to install Residential Intranet at their development projects. Given the installation of the Intranet designed by the Group, the Directors believe that the property developers could market their properties in a prestigious perception to prospective buyers.

E-property management software application consulting services

It is the Group's vision to provide a better quality lifestyle to people living in cities in the PRC. The Group designs and develops the software application of the e-property management system for the property developers in the PRC based on its Smart Home concept, with the use of broadband network infrastructure, service gateway and interactive terminal device installed by the property developers. The Group's e-property management software application will facilitate property management company to carry out routine property management functions through management platform which will enable a more direct and interactive communications between property management company and each individual household. Besides, it will help to streamline the daily operations and administration of the property management company by utilising the ERP application

SUMMARY

module. On the other hand, household users will be able to access a variety of information and obtain services such as reservation of club house facilities, local news headlines and weather report, shopping guide and community bulletin board.

The e-property management system will offer a solution comprising hardware, such as terminals, gateways and data operating centres, and various software applications to satisfy the requirements of the property developers and property management companies. The Group will only recommend its customers to purchase hardware from vendors whereas it will design and develop the software applications of the e-property management system to the PRC property developers.

The design and development of e-property management software application are carried out by the Group in Hong Kong. As all rights to the design and development of the e-property management software application belong to the clients of the Group and for their own use, according to the PRC law and regulations, no licence or approval is required. Details of which are set out in paragraph headed “Regulations relating to business of the Group” under the section headed “Business” of this prospectus.

During the Track Record Period, the Group had separately entered into outsourcing arrangements with two independent software vendors namely Great Asia and Shanghai Yuan Zhan on 27th July, 2001 and 21st January, 2002 respectively. Whereby the Group agreed to appoint such software vendors to carry out part of its software application design and development process. Details of which are set out in the paragraph headed “Operations of the Group” under the section headed “Business” of this prospectus.

After-sales technical support services

The after-sales technical support services provided by the Group to its clients generally include software application maintenance, upgrade, and content management. The software application maintenance activities comprise the provision of regular maintenance such as hotline and on-site supporting and troubleshooting, offsite backup, system database administration and maintenance, system stability and performance monitoring and turning so as to keep the software application running on best situation. The software application upgrade activities consist of system bug correction, module modification and feature enhancement to the software application based on the request of the Group’s clients. The content management principally involves enhancement of the content management platform, enabling the platform to manage more multimedia content from different content provider. The Directors believe that the provision of the Group’s comprehensive after-sales technical support services will allow the Group to generate steady recurrent income.

PRINCIPAL STRENGTHS

The Directors are of the view that the Group is well positioned to capture the growing demand for the Group’s products and services in the PRC and its principal competitive advantages over its competitors are as follows:

- the professional knowledge and extensive experience of the Directors and the Group’s senior management in the property management industry and information technology market;
- precise project planning and implementation; and

SUMMARY

- its close working relationships with technological partners, enabling it to gain access to the latest technologies and also keep abreast of market trends.

BUSINESS OBJECTIVES

The Group intends to achieve an objective of becoming one of the active e-property management software application providers in the PRC by exploiting the advanced information technology through the implementation of the following strategies:

- Promoting Smart Home concept: the Directors consider that, as intelligent network and related applications are still at a preliminary stage of development, the Group will pursue to disseminate the benefits and advantages of Smart Home concept to both property developers and the public.
- Enlarging the Group's clientele: while maintaining its relationships with its existing clients, the Group will also develop new business opportunities with other property developers to broaden its coverage in other major cities in the PRC.
- Enhancing and expanding the functionality of the Group's existing e-property management software application and i-Panel: with a view of satisfying the ever-changing requirements of its customers, the Group will continue to enhance and expand the functionality of its existing e-property management software application by accommodating a wide range of e-commerce applications. The Group will also upgrade its existing ERP application software for property management companies to automate and integrate their back-end operations in a reliable and efficient manner. Besides, new versions of i-Panel will be designed and released to equip with advanced and user-friendly interactive features.
- Upgrading infrastructure: in order to manage the connectivity of the Residential Intranet, the Group will continuously acquire additional server and computers to upgrade its data operating centre in Hong Kong.
- Establishing alliances and partnerships: in order to dedicate itself to enhancing and improving the design of its Residential Intranet as well as the design and development of its e-property management software application, the Group will appoint local partners in the PRC as agents to implement the function of network installation and hardware manufacturing.

USE OF PROCEEDS

The Company intends to raise funds by way of the Share Offer in order to pursue its business objectives as set out in the paragraph headed "Business plans" under the section headed "Statement of business objectives".

The net proceeds of the Share Offer, after deducting related expenses and based on the Offer Price of \$0.28 per Share, are estimated to amount to about \$18.2 million. The Directors currently intend to apply such net proceeds as follows:

- as to about \$3.0 million for acquiring additional servers and computers to enhance the Group's data operating centres in Hong Kong;

SUMMARY

- as to about \$3.0 million for upgrading the design and features of the Group’s i-Panel terminal;
- as to about \$5.7 million for engaging software house(s) to further develop the Group’s Residential Intranet and e-property management software application;
- as to about \$5.0 million for the promotion of the Group’s business and awareness in the PRC; and
- as to about \$1.5 million for relocating the Group’s head office for accommodating additional staff and computer equipment.

In summary, the implementation of the Group’s business plans for the period from the Latest Practicable Date to 31st March, 2005 will be funded as follows:

	From the Latest Practicable Date to 30.9.2002 \$'million	6 months ending 31.3.2003 \$'million	6 months ending 30.9.2003 \$'million	6 months ending 31.3.2004 \$'million	6 months ending 30.9.2004 \$'million	6 months ending 31.3.2005 \$'million	Total \$'million
Data operating centre	1.00	1.00	0.50	0.50	–	–	3.00
i-Panel design and prototyping	1.00	1.00	0.50	0.50	–	–	3.00
Research and development and software development	2.00	2.20	1.00	0.50	–	–	5.70
Sales and marketing	1.20	1.20	1.10	1.00	0.50	–	5.00
Human resources deployment and office relocation	0.50	1.00	–	–	–	–	1.50
	<u>5.70</u>	<u>6.40</u>	<u>3.10</u>	<u>2.50</u>	<u>0.50</u>	<u>–</u>	<u>18.20</u>
Total	<u>5.70</u>	<u>6.40</u>	<u>3.10</u>	<u>2.50</u>	<u>0.50</u>	<u>–</u>	<u>18.20</u>

To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes, it is the present intention of the Directors that such proceeds will be placed on short-term interest-bearing deposits with licensed banks and/or financial institutions in Hong Kong.

In the event that any of the Group’s business objectives do not materialise or proceed as planned, the Directors will conscientiously evaluate the situation and may reallocate the proceeds for other business purposes so long as they represent the best interests of the Company and its shareholders and comply with the GEM Listing Rules. In the event that there is to be any material modification to the use of proceeds as described above, the Company will issue an announcement accordingly.

According to current estimate, the Directors expect that the net proceeds from the Share Offer of about \$18.2 million will be sufficient to finance the implementation of the Group’s business plans up to 31st March, 2005. The Group’s detailed business implementation plans for the period up to 31st March, 2005 are set out in the section headed “Statement of business objectives” in this prospectus.

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TRADING RECORD

The following table summarises the Group's combined turnover and results for the two years ended 31st March, 2002 prepared on the assumption that the current structure of the Group had been in place throughout the period under review. The summary should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus on pages 131 to 146.

		Year ended 31st March, 2001 \$'000	Year ended 31st March, 2002 \$'000
	<i>Note</i>		
Turnover	1, 2	1,252	19,461
Cost of services		(287)	(2,161)
Gross profit		965	17,300
Other revenue		42	1
Research and development costs		(1,347)	(240)
Marketing and promotion expenses		(1,380)	(1,013)
Administrative expenses		(2,941)	(3,059)
(Loss)/profit from operations		(4,661)	12,989
Finance cost		–	(33)
(Loss)/profit from ordinary activities before taxation		(4,661)	12,956
Taxation		753	(2,074)
(Loss)/profit attributable to shareholders		(3,908)	10,882
Accumulated losses brought forward		(341)	(4,249)
(Accumulated losses)/retained profits carried forward		(4,249)	6,633
Dividend			
Final dividend proposed after the balance sheet date		–	4,000
(Loss)/earnings per share	3	(1.02) cents	2.83 cents
Diluted (loss)/earnings per share	4	(0.90) cents	2.52 cents

Notes:

- The Group's turnover represents the amount received and receivable for the provision of the design of Residential Intranet and e-property management software application design, development and installation services.
- The Group's turnover and operating profit are entirely derived from the design of Residential Intranet and e-property management software application design, development and installation services rendered in and derived from Hong Kong. Accordingly, no analyses by business and geographical segments are provided.

SUMMARY

3. The calculation of the basic (loss)/earnings per Share for each year is based on the Group's combined (loss)/profit attributable to shareholders during the respective year and on the assumption that 384,000,000 Shares had been in issue throughout the Track Record Period and the Pre-IPO Share Option had not been exercised.
4. The calculation of the diluted (loss)/earnings per share is based on the Group's combined (loss)/profit attributable to shareholders for the Track Record Period and on the assumption that 432,000,000 Shares had been in issue throughout the Track Record Period and the Pre-IPO Share Option had been exercised in full at the beginning of the Track Record Period.

SHARE OFFER STATISTICS

Offer Price (per Share) \$0.28

Market capitalisation at the Offer Price (*Note 1*) \$134.4 million

Adjusted net tangible asset value per Share (*Note 2*) 5.29 cents

Notes:

1. The market capitalisation of the Shares takes no account of any Shares which may be issued upon the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme or which may be allotted or issued or purchased by the Company under the general mandate for the allotment and issue or repurchase of Shares granted to the Directors referred to in the paragraph headed "Further information about the Company" in Appendix IV to this prospectus.
2. The adjusted net tangible asset value per Share has been arrived at after making the adjustments referred to in the subsection headed "Adjusted net tangible assets" under the section headed "Financial information" of this prospectus and on the basis of 480,000,000 Shares in issue and to be issued as mentioned in this prospectus, but takes no account of any Shares which may fall to be allotted and issued pursuant to the exercise of options that may be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandate for the allotment and issue or repurchase of Shares referred to in the paragraph headed "Written resolutions of the sole shareholder of the Company dated 5th July, 2002" in Appendix IV to this prospectus.

OFFERING OF SALE SHARES BY THE VENDOR

The Vendor are offering 24,000,000 Shares for sale pursuant to the Placing at the Offer Price. The gross proceeds to be received by the Vendor from the sale of the Sale Shares amount to approximately \$6.72 million. The Directors consider the offering of the Sale Shares by the Vendor as a mean to partly recapitalise the Vendor's initial investment in the Company.

RISK FACTORS

The Directors consider that the business of the Group is subject to a number of risk factors, which can be summarised as follows:

Risks relating to the Group on pages 27 to 30

- Tax liabilities of the Group;
- Dependence on the property market in the PRC;
- Lack of long term contracts;

SUMMARY

- Pre-IPO Share Option Scheme;
- The Group does not have a proven track record in deriving income from other sources;
- Reliance on software vendors;
- Reliance on the Group's largest customers;
- Change in dividend policies;
- The Group's business objectives may not be materialised;
- Reliance on key personnel; and
- Changes in licensing laws and regulations in the PRC.

Risks relating to the industry on page 30

- Risk related to better technology competition; and
- Competition.

Risk relating to regulations, economics and politics on pages 31 to 32

- Legal framework governing the industry;
- Risks associated with doing business in the PRC;
- Risks associated with doing business in Hong Kong; and
- Possible impact arising from the terrorist attacks in the US on 11th September, 2001.

PRE-IPO SHARE OPTION SCHEME

As at the Latest Practicable Date, options to subscribe for an aggregate of 48,000,000 Shares, representing 10% of the issued share capital of the Company as at the date on which dealings in the Shares on GEM commence (taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and the options which may be granted under the Post-IPO Share Option Scheme) at an exercise price for each Share equivalent to 50% of the Offer Price have been conditionally granted by the Company under the Pre-IPO Share Option Scheme to (i) four executive Directors for an aggregate of 19,200,000 Shares and (ii) seven full-time employees (including two senior management staff of the Group) of the Group for an aggregate of 28,800,000 Shares. The granting of share options under the Pre-IPO Share Option Scheme with a discount to the Offer Price represents recognition of the contribution of certain Directors and employees of the Group to its growth. All of these share options have a duration of 10 years commencing from the date of the grant of the options on 5th July, 2002, but each shall lapse in accordance with the terms of the Pre-IPO Share Option Scheme if the relevant grantee ceases to be a director or an employee of the Group on any ground set forth in the Pre-IPO Share Option

SUMMARY

Scheme. Particulars of the outstanding share options conditionally granted under the Pre-IPO Share Option Scheme to the four executive Directors and seven full-time employees of the Group to subscribe for an aggregate of 48,000,000 Shares are set forth below:–

Name of grantee <i>(Position in the Group)</i>	Residential address	Date of joining the Group	Number of underlying Shares	Exercise price for each Share
<i>Executive Directors</i>				
Ms. YY Wong	Flat 2403 Harbour View Garden Tower 1, 1B Sands Street Hong Kong	23rd August, 1999	4,800,000	<i>(Note 1)</i>
Mr. Wong	Room 2304, 23rd Floor Harbour View Garden Tower 1, 1B Sands Street Hong Kong	23rd August, 1999	4,800,000	<i>(Note 1)</i>
Mr. Wong Yao Wing, Robert	Flat 27D, Block 4 The Tolo Place Ma On Shan Shatin New Territories Hong Kong	2nd January, 2001	4,800,000	<i>(Note 1)</i>
Mr. Lam	Flat D, 33rd Floor Block 9, Kenswood Court Kingswood Villas Tin Shui Wai New Territories Hong Kong	1st July, 2000	4,800,000	<i>(Note 1)</i>
<i>Senior management of the Group</i>				
<i>Others</i>				
Mr. Chow <i>(Consultant)</i>	28A, Hoi Sing Mansion Taikoo Shing Hong Kong	1st July, 2000	4,800,000	<i>(Note 1)</i>
Ms. Wong Yuen Man, Alice <i>(Director of Human Resources and Communications)</i>	Room 301 South Terrace Ka Wai Man Road Kennedy Town Hong Kong	1st September, 2000	4,800,000	<i>(Note 1)</i>

SUMMARY

Name of grantee <i>(Position in the Group)</i>	Residential address	Date of joining the Group	Number of underlying Shares	Exercise price for each Share
<i>Staff of the Group</i>				
Mr. Lei Sau Ian <i>(Project Manager)</i>	Ground Floor 117 Sai Yee Street Mong Kok Kowloon Hong Kong	3rd December, 2001	3,360,000	<i>(Note 1)</i>
Mr. Leung Siu Fai <i>(Sales Manager)</i>	5A, Tower 21 Parc Oasis Tat Chee Avenue Kowloon Tong Kowloon Hong Kong	1st August, 2000	4,800,000	<i>(Note 1)</i>
Ms. Tong Kam Ip <i>(Executive Secretary)</i>	Room 1504 Chu Fung House Fung Tak Estate Diamond Hill Kowloon Hong Kong	1st September, 1999	3,840,000	<i>(Note 1)</i>
Ms. Leung Ka Shing <i>(Project Design Officer)</i>	Flat A, 1st Floor Tak Fook Building 28 Factory Street Shaukeiwan Hong Kong	16th September, 2000	3,840,000	<i>(Note 1)</i>
Ms. Ng Sze Wan <i>(Executive Assistant)</i>	Room 1809 Cheuk Wah House Hing Wah Estate Chai Wan, Hong Kong	17th October, 2000	3,360,000	<i>(Note 1)</i>

Note:

- The exercise price for each Share equals to 50% of the Offer Price. The Directors consider that the granting of share options under the Pre-IPO Share Option Scheme with a discount of 50% to the Offer Price represents a reward and recognition of the contributions of certain Directors and employees of the Group to its growth.

The principal terms of the Pre-IPO Share Option Scheme are summarised under the paragraph headed “Pre-IPO Share Option Scheme” in Appendix IV to this prospectus. Under the terms of the Pre-IPO Share Option Scheme, these options shall not be exercised during the first six-month period after listing.

SUMMARY

Each of Ms. Y Y Wong, Mr. Wong, Mr. Wong Yao Wing, Robert, Mr. Lam, Mr. Chow and Ms. Wong Yuen Man, Alice has undertaken to the Company, the Sponsor (for itself and on behalf of the Underwriters) and the Stock Exchange that in the event that he/she exercises the options granted to him/her under the Pre-IPO Share Option Scheme, he/she will not, save as provided in Rule 13.18 of the GEM Listing Rules, dispose of (or enter into any agreement to dispose of) any of his/her interests in the Shares issued pursuant to the exercise of the options granted to him/her under the Pre-IPO Share Option Scheme for a period from the date he/she becomes a beneficial owner of the Relevant Securities to the expiry of a period of 12 months from the Listing Date.

Save as disclosed in this prospectus, no other share options have been granted or agreed to be granted by the Company under the Pre-IPO Share Option Scheme or the Post-IPO Share Option Scheme.

INITIAL MANAGEMENT SHAREHOLDERS AND OTHER EXISTING SHAREHOLDERS OF THE COMPANY

Details of the corporate reorganisation of the Group are set out in the paragraph headed “Corporate reorganisation” in Appendix IV to this prospectus. Set out below are the respective shareholdings in the Company of each of the Initial Management Shareholders, the Substantial Shareholders and other individual and corporate shareholders in the share capital of the Company immediately after the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option and the options under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme are not exercised and taking no account of Shares which may be taken up under the Share Offer):

Name of Shareholder	Date of becoming shareholder of the Company	Number of Shares or attributable or held immediately before the Share Offer and the Capitalisation Issue	Approximate Percentage or attributable percentage of shareholding before the Share Offer and the Capitalisation Issue	Number of Shares held immediately after the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised)	Percentage of shareholding immediately after the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised)	Approximate cost per Share	Total cost	Moratorium Period	Period of services to the Group up to the Latest Practicable Date
<i>Initial Management Shareholders</i>									
Multiturn Trading Limited (Notes 1 and 14)	22nd July 2000	15,069,000	50.23%	168,864,000	35.18%	\$0.0003	\$54,845	12 months	Not applicable
Winyly Group Ltd. (Notes 5, 8 and 14)	15th May 2001	279,000	0.93%	3,600,000	0.75%	\$0.0003	\$1,014	6 months	Not applicable
Ms. Chow Wai Man, Grace (Note 5)	2nd May 2001	72,000	0.24%	912,000	0.19%	\$0.44	\$400,000	6 months	Not applicable
Sub-total		15,420,000	51.40%	173,376,000	36.12%				

SUMMARY

Name of Shareholder	Date of becoming shareholder of the Company	Number of Shares or attributable or held immediately before the Share Offer and the Capitalisation Issue	Approximate Percentage or attributable percentage of shareholding before the Share Offer and the Capitalisation Issue	Number of Shares held immediately after the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised)	Percentage of shareholding immediately after the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised)	Approximate cost per Share	Total cost	Moratorium Period	Period of services to the Group up to the Latest Practicable Date
Substantial shareholders									
Re xy Investment Limited (Note 3)	24th October 2000	4,500,000	15.00%	57,600,000	12.00%	\$0.95	\$54,750,000	6 months	Not applicable
Sub-total		4,500,000	15.00%	57,600,000	12.00%				
Significant shareholders									
Sinopower Profits Limited (Notes 3, 9 and 14)	22nd July 2000	2,142,000	7.14%	27,456,000	5.72%	\$0.20	\$5,600,000	6 months	Not applicable
Oriental Faith Technology Limited (Notes 3, 9 and 14)	29th May 2000	498,000	1.66%	6,336,000	1.32%	\$0.24	\$1,503,900	6 months	Not applicable
Mr. Ip Kam Hoi (Notes 3, 4 and 7)	22nd July, 2000	1,692,000	5.64%	21,648,000	4.51%	\$0.0003	\$6,162.00	6 months	Not applicable
Busyway Profits Limited (Notes 3, 10 and 14)	22nd July, 2000	207,000	0.69%	2,640,000	0.55%	\$0.0003	\$764.40	6 months	Not applicable
Sub-total		4,539,000	15.13%	58,080,000	12.10%				
Other existing public shareholders									
Innomore Assets Limited (Notes 3 and 7)	2nd May 2001	792,000	2.64%	10,128,000	2.11%	\$0.44	\$4,440,000	12 months	Not applicable
East Excellence Ltd. (Notes 3, 7, 11 and 14)	30th November 2001	600,000	2.00%	7,680,000	1.60%	\$0.10	\$796,000	12 months	Not applicable
Best Approach Limited (Notes 3, 7, 12 and 14)	30th November 2001	600,000	2.00%	7,680,000	1.60%	\$0.10	\$796,000	12 months	Not applicable
Ms. Shek Wai Fong (Notes 3, 7 and 12)	29th May 2000	537,000	1.79%	6,864,000	1.43%	\$0.0003	\$1,950	12 months	Not applicable
Pok Sun Enterprises Limited (Notes 3 and 7)	2nd May 2001	423,000	1.41%	5,424,000	1.13%	\$0.43	\$2,364,000	12 months	Not applicable
Superior IT Holdings Limited (Notes 3 and 7)	2nd May 2001	384,000	1.28%	4,896,000	1.02%	\$0.44	\$2,160,000	12 months	Not applicable
Mr. Lai Ping Wah (Notes 3 and 7)	21st May 2001	288,000	0.96%	3,696,000	0.77%	\$0.48	\$1,795,000	12 months	Not applicable
Mr. Wong Shui Fun (Notes 3 and 7)	21st May 2001	288,000	0.96%	3,696,000	0.77%	\$0.48	\$1,795,000	12 months	Not applicable
Mr. Wong Chung Yu (Notes 3 and 7)	21st May 2001	288,000	0.96%	3,696,000	0.77%	\$0.48	\$1,795,000	12 months	Not applicable
Insight Finance Limited (Notes 3 and 7)	2nd May 2001	276,000	0.92%	3,552,000	0.74%	\$0.43	\$1,548,000	12 months	Not applicable
Ms. Chen Qi (Notes 3, 6 and 7)	5th December 2001	273,000	0.91%	3,504,000	0.73%	\$0.43	\$1,536,000	12 months	Not applicable
Edgehill Industrial Limited (Notes 3 and 7)	21st May 2001	249,000	0.83%	3,168,000	0.66%	\$0.48	\$1,540,000	12 months	Not applicable
Kai Yick Developments Limited (Notes 3 and 7)	2nd May 2001	237,000	0.79%	3,024,000	0.63%	\$0.44	\$1,330,000	12 months	Not applicable
Direct Up Finance Limited (Notes 3 and 7)	2nd May 2001	168,000	0.55%	2,160,000	0.45%	\$0.43	\$936,000	12 months	Not applicable

SUMMARY

Name of Shareholder	Date of becoming shareholder of the Company	Number of Shares or attributable held immediately before the Share Offer and the Capitalisation Issue	Approximate Percentage or percentage of shareholding before the Share Offer and the Capitalisation Issue	Number of Shares held immediately after the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised)	Percentage of shareholding immediately after the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised)	Approximate cost per Share	Total cost	Moratorium Period	Period of services to the Group up to the Latest Practicable Date
<i>Substantial shareholders</i>									
Workforce Advantage Limited (Notes 3 and 7)	2nd May 2001	90,000	0.31%	1,152,000	0.24%	\$0.43	\$500,000	12 months	Not applicable
Wide Move Finance Limited (Notes 3 and 7)	2nd May 2001	48,000	0.16%	624,000	0.13%	\$0.42	\$264,000	12 months	Not applicable
Sub-total		5,541,000	18.47%	70,944,000	14.78%				
Total		30,000,000	100.00%	360,000,000	75.00%				
<i>Public Shareholders</i>									
New Shares	Not applicable	Not applicable	Not applicable	96,000,000	20.00%	Not applicable	Not applicable		
Sale Shares	Not applicable	Not applicable	Not applicable	24,000,000	5.00%	Not applicable	Not applicable		
Grand Total				480,000,000	100.00%				

Notes:

- Multiturn Trading Limited is owned by Ms. YY Wong, Mr. Wong, Mr. Chow and Mr. Lam as to 31%, 31%, 31% and 7% respectively. Ms. YY Wong and Mr. Wong are the founders of the Group and Mr. Chow and Mr. Lam became a director of CHL since 22nd July, 2000. The respective (i) date of becoming shareholder of the Company, (ii) number of Shares held immediately after the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised), (iii) percentage of shareholding immediately after the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised), (iv) cost per Share, (v) total cost, (vi) moratorium period and (vii) period of services to the Group up to the Latest Practicable Date of Ms. YY Wong, Mr. Wong, Mr. Chow and Mr. Lam are as follows:

Name of shareholder	Date of becoming shareholder of the Company	Attributable number of Shares held immediately after the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised)	Attributable percentage of shareholding immediately after the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised)	Approximate cost per Share	Total cost	Moratorium Period	Period of services to the Group up to the Latest Practicable Date
Ms. YY Wong	28th October, 1999	52,320,000	10.90%	0.0003	17,001.95	12 months	2 years and 9 months
Mr. Wong	28th October, 1999	52,320,000	10.90%	0.0003	17,001.95	12 months	2 years and 9 months
Mr. Chow	22nd July, 2000	52,320,000	10.90%	0.0003	17,001.95	12 months	2 years
Mr. Lam	22nd July, 2000	11,904,000	2.48%	0.0003	3,839.15	12 months	2 years

- On 5th July, 2002, as consideration of the acquisition of the entire issued share capital of CHL by the Company from the Initial Management Shareholders, the Substantial Shareholders, the Significant Shareholders and the other existing public shareholders as set out in the table, the Company (i) allotted and issued an aggregate of 20,000,000 Shares, credited as fully paid, to the Initial Management Shareholders, the Substantial Shareholders, the Significant Shareholders and the other existing public shareholders and (ii) credited as fully paid at par the 10,000,000 Shares issued nil paid to Ms. YY Wong on 20th November, 2001.

SUMMARY

On 9th July, 2002, Ms. YY Wong transferred 10,000,000 Shares to Multiturn Trading Limited and in consideration of which, Multiturn Trading Limited, as directed by Ms. YY Wong, allotted and issued 31, 31, 31 and 7 shares of US\$1.00 each in the share capital of Multiturn Trading Limited to Ms. YY Wong, Mr. Wong, Mr. Chow and Mr. Lam respectively.

3. Each of and each of the beneficial owners of (as the case may be) (i) Remy Investment Limited, namely HyComm Wireless Limited, a company whose shares are listed on the Stock Exchange, (ii) Sinopower Profits Limited, namely Mr. Koh Tat Lee and Ms. Eva Wong, (iii) Oriental Faith Technology Limited, namely Mr. Koh Tat Lee and Ms. Eva Wong, (iv) Busyway Profits Limited, namely Ip Kam Hoi, (v) Innomore Assets Limited, namely Mr. Sy Eio Tat Eugene, (vi) East Excellence Ltd., namely Mr. Ho Yiu Ming, Mr. Lee Chiu Kang, Mr. Chan Siu Man and Mr. Chu Wai Pang, (vii) Best Approach Limited, namely Mr. Law Fung Yuen, Paul, (viii) Ms. Shek Wai Fong, (ix) Pok Sun Enterprises Limited, namely Mr. Chua Yau Kwing, (x) Superior IT Holdings Limited, namely Mr. Chan Kam Cheong, (xi) Mr. Lai Ping Wah, (xii) Mr. Wong Shui Fun, (xiii) Mr. Wong Chung Yu, (xiv) Insight Finance Limited, namely Ms. Yeung Yik, (xv) Ms. Chen Qi, (xvi) Edgehill Industrial Limited, namely Mr. Lam Wing Chung, (xvii) Kai Yick Developments Limited, namely Ms. Ho Sai Man, (xviii) Direct Up Finance Limited, namely Ms. Mok Siu Ling, (xix) Workforce Advantage Limited, namely Mr. Kang Jing and Mr. Sun Li Hua, and (xx) Wide Move Finance Limited, namely Mr. Pan Qi are independent third parties not connected with any of the Directors, the chief executive of the Company and its subsidiaries, the Significant Shareholders or other Significant Shareholders (as the case may be), the Initial Management Shareholders, the Substantial Shareholders or other Substantial Shareholders (as the case may be) of the Company or any of their respective associates and all of them are considered to be public shareholders. Each of them does not have any board representation or involvement in the management of the Company and their acquisition of Shares were not financed directly or indirectly by any connected person to the Group. Save and except that the beneficial owners of Oriental Faith Technology Limited and Sinopower Profits Limited are the same individuals, and that Mr. Ip Kam Hoi is the beneficial owner of Busyway Profits Limited, each of the aforesaid beneficial owners and individual owners is independent to each other.
4. As advised by the Directors, Mr. Ip Kam Hoi has known Ms. YY Wong personally for over five years and he has extensive experience in property investment and trading business in the PRC. One of the Group's contracted client in the Track Record Period was introduced by Mr. Ip Kam Hoi in early 2000. In light of the aforesaid contributions to the Group, Ms. YY Wong sold the then 400 shares in CHL to Mr. Ip Kam Hoi at nominal value of US\$1.00 each per share on 22nd July, 2000. In addition, Mr. Ip Kam Hoi introduced another property developer to the Group in late 2000. Subsequently, the Group has entered into a contract with such property developer in July 2001. With a view of rewarding Mr. Ip Kam Hoi's further contribution to the Group's business, Ms. YY Wong, Mr. Wong, Mr. Chow and Mr. Lam transferred the entire issued share capital of Busyway Profits Limited to Mr. Ip Kam Hoi at a consideration of US\$70 on 2nd January, 2002. As such, the cost per Share paid by Mr. Ip Kam Hoi and Busyway Profits Limited represents a significant discount to the Offer Price. Upon completion of the Capitalisation Issue and the Share Offer, Mr. Ip Kam Hoi will hold 21,648,000 Shares in his own name and 2,640,000 Shares through his 100% interests in Busyway Profits Limited. Each of Mr. Ip Kam Hoi and Busyway Profits Limited confirms that he/it is independent of and not connected with the Directors or the chief executive of the Company and its subsidiaries, the Significant Shareholders, the Initial Management Shareholders and the Substantial Shareholders and their respective beneficial owners and associates (as defined in the GEM Listing Rules).
5. Winly Group Ltd. is owned by Ms. Wu Wai Yee, Annis ("Ms. Wu"), an independent non-executive Director, and Ms. To Po Yim ("Ms. To") in equal shares. Ms. Wu and Ms. To are business partners of Annis Wu & Associates Limited, which provided financial consultancy service to the Group during the period from October 2000 to March 2001. The Directors were satisfied with their performance on advising business and strategic development of the Group during the period of engagement. In addition, the Directors consider that Ms. Wu and Ms. To possess extensive business relationship in the PRC which would assist the Group to further explore the PRC market. As such, the Directors allotted and issued 130 shares of CHL to Winly Group Ltd. at a discount as recognition of their performance rendered to the Group and the Directors consider that it would be beneficial to the Company to have strategic shareholders with sound financial knowledge and experience. Further, as such shares constitute less than 1% of the issued share capital of CHL, the Directors consider that the discount in monetary terms is therefore not significant. Each of Ms. Wu Wai Yee, Annis and Ms. To Po Yim are deemed to be interested in 3,600,000 Shares, representing approximately 0.75% interests in the Company upon completion of the Share Offer and the Capitalisation Issue under the SDI Ordinance and their respective (i) date of becoming shareholders of the Company, (ii) number of Shares held immediately after the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised), (iii) percentage of shareholding immediately after the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised), (iv) cost per

SUMMARY

Share, (v) total cost, (vi) moratorium period and (vii) period of services to the Group up to the Latest Practicable Date are as follows:

Name of shareholder	Date of becoming shareholder of the Company	Number of Shares held immediately after the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised)	Percentage of shareholding immediately after the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised)	Approximate cost per Share	Total cost	Moratorium Period	Period of services to the Group up to the Latest Practicable Date
Ms. Wu Wai Yee, Annis	15th May, 2001	3,600,000	0.75%	\$0.0002	\$507	6 months	Not applicable
Ms. To Po Yim	15th May, 2001	3,600,000	0.75%	\$0.0002	\$507	6 months	Not applicable

Apart from the financial consultancy service of Annis Wu & Associates Limited referred to in the above, Ms. Wu has not provided any other service to the Group up to the Latest Practicable Date.

Ms. Chow Wai Man, Grace is an independent non-executive Director. She has not provided any service to the Group up to the Latest Practicable Date.

6. Ms. Chen Qi initially held her interests in the Group through her 100% interests in All South Resources Limited. On 6th December, 2001, All South Resources Limited transferred its interests in the Group to Ms. Chen Qi at a consideration of \$1,280,000.
7. Each of Innomore Assets Limited, East Excellence Ltd., Best Approach Limited, Ms. Shek Wai Fong, Pok Sun Enterprises Limited, Superior IT Holdings Limited, Mr. Lai Ping Wah, Mr. Wong Shui Fun, Mr. Wong Chung Yu, Insight Finance Limited, Ms. Chen Qi, Edgehill Industrial Limited, Kai Yick Developments Limited, Direct Up Finance Limited, Workforce Advantage Limited and Wide Move Finance Limited has respectively undertaken to the Company and Hantec (for itself and on behalf of the Underwriters) that he/she/it will not dispose of (nor enter into any agreement to dispose of) any of his/her/its direct or indirect interests in the Company during the Twelve Months Lock-up Period.
8. Pursuant to an agreement dated 1st August, 2000, the Group agreed to accept and Annis Wu & Associates Limited agreed to offer financial consultant services (the “Engagement”) for a professional fee of \$280,000. The services provided including (i) to review the business model of the Group’s operations; (ii) to evaluate the financial aspect of the Group’s business; and (iii) to identify and assess risks that might affect the business of the Group. Ms. Annis Wu confirms that the Engagement was terminated around early April 2001 and that Annis Wu & Associates Limited has no claim against the Group whatsoever whether in respect of fees, remuneration or compensation for the Engagement.

Ms. Annis Wu confirms that the consideration in the amount of US\$130 which Winly Group had paid for subscribing 130 shares of US\$1.00 each in CHL was not financed by Ms. YY Wong, Mr. Wong, Mr. Chow nor Mr. Lam.

Ms. Annis Wu has also confirmed that apart from the receipt of the abovementioned service fee from the Group in respect of the service of Annis Wu & Associates Limited rendered during the period from October 2000 to March 2001 and save as disclosed above, she has no other interests, whether financial or otherwise and whether past or present, in the Group.
9. Both Sinopower Profits Limited and Oriental Faith Technology Limited are wholly-owned by Mr. Koh Tak Lee and Ms. Eva Wong in equal shares, who are independent third parties and each of them is deemed to be interested in 33,792,000 Shares, representing approximately 7.04% interests in the Company under the SDI Ordinance upon completion of the Share Offer and the Capitalisation Issue.
10. Busyway Profits Limited is wholly-owned by Mr. Ip Kam Hoi.
11. East Excellence Ltd. is a private venture capital company beneficially owned by Mr. Ho Yiu Ming, Mr. Lee Chiu Kang, Mr. Chan Siu Man and Mr. Chu Wai Pang. Each of them has extensive experience in the securities industry in relation to the fields of placing, underwriting, financial advisory and identification of prospective investors. They provided the necessary connections and professional knowledge to promote the Company to the investing public and the financial market. East Excellence Ltd. is an investor which is independent of and not connected with the Directors or the chief executive of the Company and its subsidiaries, the Significant Shareholders, the Initial Management Shareholders and the Substantial Shareholders and their respective beneficial owners and associates (as defined in the GEM Listing Rules).

SUMMARY

12. As advised by the Directors, Best Approach Limited invested in the Company as a passive equity investor providing risk capital at the time when working capital was required by the Company. The pricing was based on an arms-length negotiation between the parties, taking into account the business connections of Best Approach Limited which the Directors believed to be beneficial to the Company. Subsequently, Best Approach Limited introduced various potential business partners to the Company, including an environmental protection solution provider, a remote visual management systems provider and an application service provider related to property management and maintenance services. Best Approach Limited is an investor which is independent of and not connected with the Directors or the chief executive of the Company and its subsidiaries, the Significant Shareholders, the Initial Management Shareholders and the Substantial Shareholders and their respective beneficial owners and associates (as defined in the GEM Listing Rules).
13. As advised by the Directors, Ms. Shek Wai Fong has known Ms. YY Wong personally for over five years and she is currently a merchant. Ms. Shek Wai Fong has been engaged in a variety of businesses such as property investment, health care, beauty and restaurant in Hong Kong and the PRC. She had introduced the first property developer engaged by the Group on 20th December 1999. Ms. YY Wong invited Ms. Shek Wai Fong to invest in the Group and subsequently Ms. Shek Wai Fong agreed to subscribe shares in CHL at par value of US\$1.00 each. Ms. Shek Wai Fong is an investor who is independent of and not connected with the Directors or the chief executive of the Company and its subsidiaries, the Significant Shareholders, the Initial Management Shareholders and the Substantial Shareholders and their respective beneficial owners and associates (as defined in the GEM Listing Rules).
14. Under the articles of association of CHL, CHL may issue a share for a promissory note or other written obligation for payment of a debt. By 12th December 2001, CHL has received the relevant consideration from all its shareholders.

RESTRICTIONS ON DISPOSAL OF SHARES

(i) Undertakings by Initial Management Shareholders

Each of Multiturn Trading Limited, Ms. YY Wong, Mr. Wong, Mr. Chow and Mr. Lam has undertaken to the Company, the Sponsor (for itself and on behalf of the Underwriters) and the Stock Exchange that, save under the circumstances provided by rule 13.18 of the GEM Listing Rules, during the Twelve Months Lock-up Period, he/she/it will not dispose of (or enter into any agreement to dispose of) or permit the registered holder to dispose of (or enter into any agreement to dispose of) any of his/her/its direct or indirect interest in the Company.

Each of Winly Group Ltd., Ms. Wu Wai Yee, Annis, Ms. To Po Yim and Ms. Chow Wai Man, Grace has undertaken to the Company, the Sponsor (for and on behalf of the Underwriters) and the Stock Exchange that, save under the circumstances provided by rule 13.18 of the GEM Listing Rules, during the Six Months Lock-Up Period, she/it will not dispose of (or enter into any agreement to dispose of) or permit the registered holder to dispose of (or enter into any agreement to dispose of) any of her/its direct or indirect interest in the Company.

Each of Ms. YY Wong, Mr. Wong, Mr. Chow and Mr. Lam has undertaken to the Company, the Sponsor (for itself and on behalf of the Underwriters) and the Stock Exchange that during the Twelve Months Lock-up Period, he/she will not dispose of (nor enter into any agreement to dispose of) any of his/her interest in Multiturn Trading Limited.

Each of Ms. Wu Wai Yee, Annis and Ms. To Po Yim has undertaken to the Company, the Sponsor (for and on behalf of the Underwriters) and the Stock Exchange that during the Six Months Lock-Up Period, she will not dispose of (or enter into any agreement to dispose of) any of her interests in Winly Group Ltd..

SUMMARY

(ii) Undertakings by Substantial and Significant Shareholders

Each of Remy Investment Limited, Sinopower Profits Limited, Oriental Faith Technology Limited, Busyway Profits Limited and Mr. Ip Kam Hoi has undertaken to the Company and the Sponsor (for itself and on behalf of the Underwriters) and the Stock Exchange that save under the circumstances provided by rule 13.18 of the GEM Listing Rules, during the Six Months Lock-up Period, he/it will not dispose of (or enter into any agreement to dispose of) or permit the registered holder to dispose of (or enter into any agreement to dispose of) any of his/its respective direct or indirect interests in the Company.

(iii) Further undertakings by Substantial and Significant Shareholders

In addition to the above undertakings, each of (i) HyComm Wireless Limited and Plotio Limited, the ultimate beneficial shareholder and immediate holding company of Remy Investment Limited respectively, and (ii) Mr. Koh Tat Lee and Ms. Eva Wong, the shareholders of Sinopower Profits Limited and Oriental Faith Technology Limited respectively, has given an undertaking to the Company, the Sponsor (for itself and on behalf of the Underwriters) and the Stock Exchange that:

- (i) HyComm Wireless Limited shall not and shall procure that none of its associates, nominees or trustees holding in trust for it shall, during the Six Months Lock-up Period, dispose of (nor enter into any agreement to dispose of) any of its interests in Plotio Limited, the immediate holding company of Remy Investment Limited; and shall further procure that Plotio Limited and none of the associates, nominees or trustees holding in trust for Plotio Limited shall, during the Six Months Lock-up Period, dispose of (nor enter into any agreement to dispose of) any of Plotio Limited's interests in Remy Investment Limited; and that Plotio Limited shall not and shall procure that none of its associates, nominees or trustees holding in trust for it shall, during the Six Months Lock-up Period, dispose of (nor enter into any agreement to dispose of) any of its interests in Remy Investment Limited; and that
- (ii) Mr. Koh Tat Lee and Ms. Eva Wong shall not and shall procure that none of his/her associates, nominees or trustees holding in trust for him/her shall, during the Six Months Lock-up Period, dispose of (nor enter into any agreement to dispose of) any of his/her interests in Sinopower Profits Limited and Oriental Faith Technology Limited respectively; and that
- (iii) Mr. Ip Kam Hoi shall not and shall procure that none of his associates, nominees or trustees holding in trust for him shall, during the Six Months Lock-up Period, dispose of (nor enter into any agreement to dispose of) any of his interests in Busyway Profits Limited.

(iv) Undertakings by other Shareholders

Each of Innomore Assets Limited, East Excellence Ltd., Best Approach Limited, Ms. Shek Wai Fong, Pok Sun Enterprises Limited, Superior IT Holdings Limited, Mr. Lai Ping Wah, Mr. Wong Shui Fun, Mr. Wong Chung Yu, Insight Finance Limited, Ms. Chen Qi, Edgehill Industrial Limited, Kai Yick Developments Limited, Direct Up Finance Limited, Workforce Advantage Limited and Wide Move Finance Limited has respectively undertaken to the Company, the Sponsor (for itself and on behalf of the Underwriters) and the Stock Exchange that during the Twelve Months Lock-up Period, he/she/it will not dispose of (nor enter into any agreement to dispose of) any of his/her/its respective direct or indirect interests in the Company.

SUMMARY

In addition, each of Mr. Sy Eio Tat Eugene, the shareholder of Innomore Assets Limited, Mr. Ho Yiu Ming, Mr. Lee Chiu Kang, Mr. Chan Siu Man and Mr. Chu Wai Pang, the shareholders of East Excellance Ltd., Mr. Law Fung Yuen, Paul, the shareholder of Best Approach Limited, Mr. Chua Yau Kwing, the shareholder of Pok Sun Enterprises Limited, Mr. Chan Kam Cheong, the shareholder of Superior IT Holdings Limited, Ms. Yeung Yik, the shareholder of Insight Finance Limited, Mr. Lam Wing Chung, the shareholder of Edgehill Industrial Limited, Ms. Ho Sai Man, the shareholder of Kai Yick Developments Limited, Ms. Mok Siu Ling, the shareholder of Direct Up Finance Limited, Mr. Kang Jing and Ms. Sun Li Hua, the shareholders of Workforce Advantage Limited, and Mr. Pan Qi, the shareholder of Wide Move Finance Limited has respectively undertaken to the Company, the Sponsor (for itself and on behalf of the Underwriters) and the Stock Exchange that he/she will not dispose of (nor enter into any agreement to dispose of) any of his/her respective direct or indirect interests in the share capital of Innomore Assets Limited, East Excellance Ltd., Best Approach Limited, Pok Sun Enterprises Limited, Superior IT Holdings Limited, Insight Finance Limited, Edgehill Industrial Limited, Kai Yick Developments Limited, Direct Up Finance Limited, Workforce Advantage Limited and Wide Move Finance Limited during the Twelve Months Lock-up Period.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“associate”	having the meaning ascribed thereto under the GEM Listing Rules
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of part of the share premium account of the Company referred to in the sub-paragraph headed “Written resolutions of the sole shareholder of the Company dated 5th July, 2002” under the paragraph headed “Further information about the Company and its subsidiaries” in Appendix IV to this prospectus
“CCASS”	The Central Clearing and Settlement System established and operated by HKSCC
“CHK”	Cyberliving (Hong Kong) Company Limited (現代數碼(香港)有限公司), a company incorporated in Hong Kong on 15th March, 2000 with limited liability
“CHL”	Cyberliving Holdings Limited (現代數碼控股有限公司), an investment holding company incorporated in BVI on 19th May, 2000 with limited liability
“CML”	Cyberinfo Management Limited (現代數碼管理有限公司), a company incorporated in Hong Kong on 1st September, 1999 with limited liability, which is principally engaged in the provision of management and maintenance of network services
“CSL”	Cyberweb Services Limited (現代數碼服務有限公司), a company incorporated in Hong Kong on 22nd March, 2000 with limited liability, which is principally engaged in the provision of design and integrate value-added services with its software applications
“CTL”	Cyberworks Technology Limited (現代數碼網絡有限公司) (formerly known as Sheen York International Ltd. (譽順國際有限公司)), a company incorporated in Hong Kong on 23rd August, 1999 with limited liability, which is principally engaged in the provision of system design and integration services
“Companies Act”	the Companies Act 1981 of Bermuda
“Companies Ordinance”	the Companies Ordinance (chapter 32 of the Laws of Hong Kong)

DEFINITIONS

“Company”	Inno-Tech Holdings Limited, a company incorporated in Bermuda on 19th November, 2001 with limited liability
“Controlling Shareholders”	Multiturn Trading Limited, Ms. YY Wong, Mr. Wong, Mr. Chow and Mr. Lam
“Deed of Indemnity”	the deed of indemnity entered into between the Controlling Shareholders and the Company dated 5th July, 2002, being material contract (b) referred to in the paragraph headed “Summary of material contracts” of the section headed “Statutory and general information” of this prospectus
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“GEM website”	the Internet website www.hkgem.com operated by the Stock Exchange for the purpose of GEM
“Grantors”	Mr. Lai Ping Wah, Mr. Wong Shui Fun, Pok Sun Enterprises Limited and Innomore Assets Limited, and the term “Grantor” refers to any or a specific one of them
“Great Asia”	Great Asia Development Limited, a company incorporated in Hong Kong on 3rd December, 1997 with limited liability and is an independent third party which is not connected to the Directors, chief executive, the Substantial Shareholders, the Initial Management Shareholders or any associates of any of them within the meaning of the GEM Listing Rules
“Group”	the Company and its subsidiaries or any of them or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company
“Hantec” or “Sponsor”	Hantec Capital Limited, an investment adviser and dealer registered under the Securities Ordinance (chapter 333 of the Laws of Hong Kong), a GEM sponsor, the sponsor and manager of the Placing
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Initial Management Shareholder(s)”	having the meaning as defined in the GEM Listing Rules and herein refers to Multiturn Trading Limited, Ms. YY Wong, Mr. Wong, Mr. Chow, Mr. Lam, Ms. Chow Wai Man, Grace, Winly Group Ltd., Ms. Wu Wai Yee, Annis and Ms. To Po Yim. Please also refer to the section headed “Substantial, initial management, significant and other shareholders subject to the lock-up period” of this prospectus
“Latest Practicable Date”	24th July, 2002, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information referred to in this prospectus
“Listing Date”	12th August, 2002, being the date of commencement of dealing in the Shares on GEM
“LPT”	Leading Pro Trading Limited, a company incorporated in BVI on 15th March, 2000 with limited liability, acting as intermediate investment holding vehicle without carrying on any business
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the securities market operated by the Stock Exchange under the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chow”	Mr. Chow Kam Wing, one of the Initial Management Shareholders and consultant to the Group
“Mr. Lam”	Mr. Lam Shiu San, one of the Initial Management Shareholders and an executive Director
“Mr. Wong”	Mr. Wong Kwok Sing, one of the founders, the vice chairman and executive Director, and the brother of Ms. YY Wong
“Ms. YY Wong”	Ms. Wong Yuen Yee, one of the founders, the chairman and executive Director, and the sister of Mr. Wong
“New Shares”	the 96,000,000 New Shares to be issued at the Offer Price pursuant to the Share Offer
“Offer Price”	\$0.28 per Share
“Offer Shares”	120,000,000 Shares being initially offered by the Company for subscription under the Placing and the Public Offer (subject to Over-allotment Option)

DEFINITIONS

“Over-allotment Option”	the option to be granted by the Grantors to Hantec and IPO Securities Limited pursuant to the Underwriting Agreement to require the Grantors to sell up to an aggregate of 18,000,000 additional existing Shares, representing 15% of the Shares initially available under the Share Offer, at the Offer Price solely to cover over-allocation in the Placing, if any
“Over-allotment Shares”	up to an aggregate of 18,000,000 existing Shares which may be sold by the Grantors pursuant to the exercise of the Over-allotment Option
“Placing”	the conditional placing of the Placing Shares at the Offer Price on and subject to the terms and conditions described in this prospectus as further described in the section headed “Structure of the Placing” in this prospectus
“Placing Shares”	the 84,000,000 New Shares initially for subscription by the Company and 24,000,000 Sale Shares being offered for sale by the Vendor under the Placing together with, where relevant, any additional existing Shares sold pursuant to the exercise of the Over-allotment Option
“Placing Underwriters”	IPO Securities Limited, Hantec, South China Securities Limited, CM-CCS Securities Limited, Kingston Securities Limited, Vermont Securities Co., Ltd., Stockwell Securities Limited and Tai Wah Securities Limited
“Post-IPO Share Option Scheme”	the share option scheme conditionally approved and adopted by the Company on 5th July, 2002, the principal terms of which are summarised in the paragraph headed “Summary of the terms of the Post-IPO Share Option Scheme” in the sub-section headed “Share Option Schemes” in Appendix IV to this prospectus
“Pre-IPO Share Option Scheme”	the share option scheme conditionally approved and adopted by the Company on 5th July, 2002, the principal terms of which are summarised in the paragraph headed “Summary of terms of the Pre-IPO Share Option Scheme” in the sub-section headed “Share Option Schemes” in Appendix IV to this prospectus
“PRC”	the People’s Republic of China which, for the purposes of this prospectus, excludes Hong Kong, Macau and Taiwan
“Public Offer”	the offer of the Public Offer Shares at the Offer Price for subscription by the public, on and subject to the terms and conditions stated herein and in the related application forms

DEFINITIONS

“Public Offer Shares”	the 12,000,000 Offer Shares (subject to reallocation as described in the section headed “Structure of the Share Offer”) initially being offered by the Company for subscription under the Public Offer
“Public Offer Underwriters”	IPO Securities Limited, Hantec, South China Securities Limited, CM-CCS Securities Limited, Kingston Securities Limited, Vermont Securities Co., Ltd., Stockwell Securities Limited and Tai Wah Securities Limited
“Relevant Securities”	has the meaning ascribed to it in rule 13.15(4) of the GEM Listing Rules
“Reorganisation”	the reorganisation of the group of companies now comprising the Group completed on 9th July, 2002, which is more particularly described in the section headed “Corporate reorganisation” in Appendix IV to this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the 24,000,000 Shares being offered for sale by the Vendor at the Offer Price under the Placing
“SDI Ordinance”	Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“SFC”	the Securities and Futures Commission
“Shanghai Yuan Zhan”	上海遠瞻電子科技有限公司, a company incorporated in Shanghai, the PRC on 15th April, 2001 with limited liability and is an independent third party which is not connected to the Directors, chief executive, the Substantial Shareholder, the Initial Management Shareholders or any associates of any of them within the meaning of the GEM Listing Rules
“Share(s)”	share(s) of \$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholders of the Company
“Share Offer”	the Placing and the Public Offer
“Significant Shareholders”	Rexy Investment Limited, Plotio Limited, HyComm Wireless Limited, Oriental Faith Technology Limited, Sinopower Profits Limited, Mr. Koh Tat Lee, Ms. Eva Wong, Mr. Ip Kam Hoi and Busyway Profits Limited
“Six Months Lock-up Period”	a period of six months from the Listing Date

DEFINITIONS

“Sponsor’s Agreement”	the sponsor’s agreement dated 29th July, 2002 made between Hantec and the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholders”	Multiturn Trading Limited, Remy Investment Limited, Plotio Limited and HyComm Wireless Limited
“Track Record Period”	the two years ended 31st March, 2002
“TV”	an acronym for television
“Twelve Months Lock-up Period”	a period of twelve months from the Listing Date
“Underwriters”	the Placing Underwriters and the Public Offer Underwriters
“Underwriting Agreement”	the underwriting agreement dated 29th July, 2002 entered into between, among others, the Company, the Initial Management Shareholders, the Significant Shareholders, the executive Directors and the Underwriters
“US”	United States of America
“Vendor”	Multiturn Trading Limited
“WTO”	World Trade Organisation
“YWT”	Ying Wai Trading Limited, a company incorporated in BVI on 15th March, 2000 with limited liability, acting as intermediate investment holding vehicle without carrying on any business
“\$” and “cents”	the Hong Kong dollars and cents, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of US
“sq. ft.”	square feet
“sq. m.”	square metre
“%”	per cent.

Unless the context requires otherwise, translations from RMB into \$ are made, for illustration purpose only, at the rate of \$1 = RMB1.07 and translations of US\$ into \$ are made, for illustration purpose only, at the rate of US\$ = \$7.78.

No representation is made that any amounts in RMB, \$ or US\$ could have been or could be converted at the above rate or at any other rates or at all.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with the Group and its business. The terminology and their meanings may not correspond to standard industry meanings or usage of those terms.

“ERP”	an acronym for enterprise resources planning
“e-commerce”	electronic commerce by utilising the Internet
“e-communication”	electronic communication by utilising the Internet
“e-convenience”	electronic convenience by utilising the Internet for organising daily life, such as booking club house’s facilities, ordering meal, buying merchandise, etc.
“e-property management system”	electronic property management system
“HPNA”	an acronym for home phoneline network association, an industry standard for interconnecting computers within a household using existing telephone lines and registered jack
“Internet”	a worldwide system of computer networks in which users at any one computer can, if they have permission, get information from any other computer and sometimes communicate directly with users at other computers
“Intranet”	a private network which is contained within an enterprise and may consist of many interlinked local area networks and may also use leased lines in the wide area network
“ISP(s)”	an acronym for Internet service provider(s), a company that provides individuals and other companies access to the Internet and other related services
“IT”	an acronym for information technology
“i-Panel”	a user terminal device serves as a gateway to integrate comprehensive household automation services, such as on-house lighting control and security system, into e-property management system
“LAN”	an acronym for local area network, a data communications network which is geographically limited, allowing easy interconnection of terminals, microprocessors and computers within adjacent buildings
“LCD”	an acronym for liquid crystal display, the technology used for displays in notebook and other smaller computers

GLOSSARY OF TECHNICAL TERMS

“LDOC”	an acronym for local data operating centre, a central operating centre located at property management office for supervising, monitoring, and maintaining flows of data within a residential complex
“OSGI”	an acronym for open service gateway initiative, an industry plan for a standard way to connect devices such as home appliances and security systems to the Internet
“PIMS”	an acronym for property information management system, a system which offers functions and features ranging from site management, clubhouse management and automation of traditional property management
“Residential Intranet”	an Intranet within a residential complex
“SGMS”	an acronym for service gateway management system, a system designed for operating the distributed network of service gateway by providing functions of remote administration, service upgrade and configuration, as well as continuous network monitor
“Smart Home”	a home or building, usually a new one, that is equipped with special structured wiring to enable occupants to remotely control or program an array of automated home electronic devices through a single command. For instance, a homeowner on vacation can use a touchtone phone to arm a home security system, control temperature gauges, switch appliances on or off, control lighting, program a home theater or entertainment system, and perform many other tasks.

RISK FACTORS

Potential investors should carefully consider all of the information set out in this prospectus and, in particular, the following risks and special considerations associated with the Group before making any investment decision in relation to the Offer Shares.

This prospectus contains certain forward-looking statements relating to the Group's plans, objectives, expectations and intentions, which involve risks and uncertainties. The Group's actual results could differ materially from those discussed in this prospectus. Factors that contribute to such differences include those discussed below, as well as those discussed elsewhere in this prospectus.

RISKS RELATING TO THE GROUP

Tax liabilities of the Group

During the Track Record Period, all the Group's revenue was settled in Hong Kong, the provision of Residential Intranet design and software application design, development and installation services were predominantly carried out in Hong Kong, and no staff of the Group has ever stationed in the PRC for a consecutive period of more than 60 days for the provision of the aforesaid services and/or any other services. Accordingly, the Directors consider that the provision for PRC tax is not required. The Group has obtained legal opinions from its PRC legal advisers, who confirmed that all revenue of the Group (being an overseas company which does not have any permanent establishment in the PRC) during the Track Record Period derived from the provision of Residential Intranet design and e-property management software application design, development and installation services to its customers in the PRC is not subject to PRC taxes including business tax, foreign enterprise income tax and stamp duty. Further, most of the contracts entered into between the Group and its customers provide that the customers of the Group shall be responsible for paying the PRC taxes. Despite the aforesaid, the Controlling Shareholder has entered into the Deed of Tax Indemnity with the Company under which each of the Controlling Shareholders has given indemnities to the Group against any loss or liability suffered by the Group as a result of claim, fine or sanction imposed by the PRC tax authority for such PRC taxes. Further details on the Deed of Tax Indemnity are set out in the paragraph headed "Estate duty and tax indemnity" in Appendix IV to this prospectus.

However, there is no guarantee that the relevant tax regulations may not change in the future such that revenue of the Group may be subject to PRC tax. In such event, the Group's profitability may be adversely affected.

Dependence on the property market in the PRC

The Group's business in the provision of Residential Intranet design and software application consulting services specifically for property developers and property management companies, to a large extent, depends on the performance of the property market in the PRC. The Group's turnover derived from the provision of the design of Residential Intranet and e-property management software application design, development and installation services during the Track Record Period will depend on the development pace of the PRC property market. If there is any unexpected decrease in demand in PRC property, the Group's business and profitability may be adversely affected.

RISK FACTORS

Lack of long term contracts

The Group's revenue is primarily derived from fees for services rendered on a project by project basis, rather than from long term contracts. Besides, customers engage the Group's services on an order by order basis and are not obliged to choose to work with the Group on future projects. As at the Latest Practicable Date, the Group does not derive any income from the provision of system maintenance and upgrade service as recurrent revenue stream. The absence of long term contracts creates uncertainty as to future revenue streams. In the event that the Group is unable to expand its business with new customers or secure new engagements with existing customers, the Group's business will be materially adversely affected.

Pre-IPO Share Option Scheme

As at the date of this prospectus, options to subscribe for an aggregate of 48,000,000 Shares have been granted under the Pre-IPO Share Option Scheme, at a 50% discount to the Offer Price. Such options if exercised in full, will result in the issue of an aggregate 48,000,000 Shares (representing approximately 10% of the issued share capital of the Company immediately after completion of the Share Offer and the Capitalisation Issue but before enlargement by the issue of such Shares, or approximately 9.1% after such enlargement).

Particulars of such options are as follows:

Name of grantees	Number of underlying Shares	Expiration Date
<i>Executive Directors</i>		
Ms. YY Wong	4,800,000	4th July, 2012
Mr. Wong	4,800,000	4th July, 2012
Mr. Wong Yao Wing, Robert	4,800,000	4th July, 2012
Mr. Lam	4,800,000	4th July, 2012
<i>Senior management</i>		
Mr. Chow Kam Wing	4,800,000	4th July, 2012
Ms. Wong Yuen Man, Alice	4,800,000	4th July, 2012
<i>Staff</i>		
Mr. Lei Sau Ian	3,360,000	4th July, 2012
Mr. Leung Siu Fai	4,800,000	4th July, 2012
Ms. Tong Kam Ip	3,840,000	4th July, 2012
Ms. Leung Ka Shing	3,840,000	4th July, 2012
Ms. Ng Sze Wan	3,360,000	4th July, 2012

Further particulars of such grants and the grantees are set out in the paragraph headed "Pre-IPO Share Option Scheme" in Appendix IV to this prospectus.

Shareholders of the Company should be aware that the percentage of shareholders of the Company would be reduced and earnings per Share would be diluted from 2.83 cents to 2.52 cents based on the assumptions that the profit attributable to shareholders would be the same as the one for the year ended 31st March, 2002 and the above options are exercised in full.

RISK FACTORS

The Group does not have a proven track record in deriving income from other sources

The Group's turnover during the Track Record Period was entirely derived from the provision of the design of Residential Intranet and e-property management software application design, development and installation services. It is the Group's plan to diversify its income base to other sources including fees from software application integration and software application maintenance and upgrade. The Group's ability to derive income from other sources depends on a number of factors including, but not limited to, its ability to develop and upgrade the software application its clients' systems, the willingness of users to conduct transactions through the Group's software application, products and/or services offered by its current and potential competitors and the possible future regulatory restrictions imposed on the Group. There is no proven track record that the Group is able to generate revenue from other sources and there can be no assurance that the Group is able to diversify its income base and generate revenue from other sources in the future.

Reliance on software vendors

Part of the Group's software application design and development process activities are carried out through two software vendors, namely, Great Asia and Shanghai Yuan Zhan pursuant to outsourcing arrangements entered into on 27th July, 2002 and 21st January, 2002 respectively. Should the software applications designed and tested by the software vendors do not operate properly and satisfy the requirements of the Group's customers, it could result in adverse customer reaction towards the Group and negative publicity, the Group's operations may be adversely affected.

Reliance on the Group's largest customers

The three largest customers of the Group accounted for 100% of its turnover for the year ended 31st March, 2001, with the largest customer accounted for approximately 58.5% of the Group's turnover for the respective period. For the year ended 31st March, 2002, the Group's five largest customers accounted for approximately 80.3% of the Group's turnover, with the largest customer accounted for approximately 27.4% of the Group's turnover for the respective period. There is no assurance that those largest customers are obliged to choose to work with the Group on future projects. Should any of those largest customers engage less services from the Group, the Group's business will be adversely affected.

Change in dividend policies

Subsequent to 31st March, 2002, a dividend of HK\$4,000,000 was declared by a subsidiary of the Group to its then equity owners. Potential investors should be aware that the above dividend payments should not be used as a reference for the Company's dividend policy nor as an indication of the amount of dividends which the Company may declare in the future. Further details on the dividend policy of the Company are set out in the paragraph headed "Dividends" under the section headed "Financial Information" of this prospectus.

The Group's business objectives may not be materialised

The business plans of the Group as described in the paragraph "Business plans" under the section headed "Statement of business objectives" of this prospectus are based on assumptions of future events which by their nature are subject to uncertainty. If the business plans of the Group cannot be materialised, the profitability and the business of the Group may be adversely affected.

RISK FACTORS

Reliance on key personnel

The Directors believe the factors which have enabled the Group to achieve its current position include, among other things, the vision of its management, and the business relationship with technology and content partners. Such factors are, to a large extent, the result of the continual efforts made by the members of the management team and certain other key employees, the details of whom are set out in the section headed “Directors, senior management and staff” of this prospectus. There is no assurance that they will not terminate the employment with the Group. Should these members of the management team and key employees cease to provide the management and operation services to the Group, its operation and profitability may be adversely affected.

Change in licensing laws and regulations in the PRC

The Group is not required to obtain any licence or qualification certificate from the government authorities in the PRC for the provision of Residential Intranet design and software application consulting services to its customers in the PRC. If the PRC government implements new laws, regulations and policies imposing on the Group the requirements to obtain licence or qualification certificate in future, the Group will have to apply for such licence or qualification certificate and in turn the Group’s operation and business prospects in the PRC may be adversely affected.

RISK RELATING TO THE INDUSTRY

Risk related to better technology competition

The Group’s future success will depend upon its ability to enhance the existing e-property management software applications designed by the Company and to introduce new applications that keep pace with technological developments and emerging industry standards and address the increasing needs of its clients against better technology competition from other third parties. In the event the Group is not able to keep up with the rapid changes in technology, the sales and profitability of the Group’s product and services may be adversely affected.

Competition

The Directors are of the view that the development of Smart Home concept is still at a preliminary stage in the PRC, therefore current competition among network solution providers within the PRC property sector is not competitive, with limited players competing for business to provide similar services to property developers. However, the growing potential of the market is expected to attract a number of new entrants. As the market is still evolving and developing, new entrants may have substantially more capital, research and development and marketing capability and experience than the Group. These competitors may succeed in developing products and services that are more effective or less costly than those developed by the Group.

Any increase in competition could result in the reduction of the Group’s market share and have an adverse impact on the Group’s business.

RISK FACTORS

RISKS RELATING TO REGULATIONS, ECONOMICS AND POLITICS

Legal framework governing the industry

The Residential Intranet design and software application consulting services currently engaged by the Group are developing and evolving continuously. New laws, regulations and policies may be introduced in the PRC to govern various aspects of the Group's business. Further, the interpretation and enforcement of any existing laws and regulations in the PRC may change. The introduction of new laws, regulations and policies or changes to any existing laws, regulations and policies that impose more stringent requirements to the Group's existing services or those under development would have an adverse impact on the Group's business and operations as the development, commercialisation and the provision of the Group's services depend, to a large extent, on the supportive laws, regulations and policies.

Risks associated with doing business in the PRC

As the Group further develops in accordance with the business plans stated under the section headed "Statement of business objectives", its operations and businesses are, to a significant degree, subject to economic, political and legal system developments in the PRC. Since 1949, the PRC has been a socialist country and has been considered a closed market with its economic activities centrally planned by the government. From 1978 onwards, the PRC government has adopted policies to transform its economy from a planned economy into a market economy. Many of the reforms are unprecedented or experimental and are expected to be refined and improved upon. Other political, economic and social factors may also lead to further readjustments of the reform measures. Any implementation of new reforms and readjustments of the existing reform measures by the PRC government in future may lead to changes in the PRC's laws and regulations and any such changes may in turn affect the Group's operations and business prospects in the PRC adversely.

With effect from 1st January, 1994, the PRC government abolished its two-tier exchange rate system and replaced it with a unified floating exchange rate system largely based on market supply and demand of currencies. Since the introduction of this unified floating rate system, movement in the exchange rate of the Renminbi against other currencies, such as US dollars, are to some 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 devaluation or depreciation due to administrative or legislative intervention by the PRC government or adverse market conditions. The profitability of the Group's future operations and businesses in the PRC may be adversely affected by any devaluation or depreciation of Renminbi.

Risks associated with doing business in Hong Kong

Most of the facilities and the principal place of business of the Group are currently located in Hong Kong. Accordingly, the Group's results of operations, financial position and prospects are, to a certain degree, subject to the economic, political and legal system developments in Hong Kong. On 1st July, 1997, the PRC resumed the exercise of sovereignty over Hong Kong. The basic policies of the PRC regarding Hong Kong are incorporated in the Basic Law. In accordance with the Basic Law, Hong Kong will have a high degree of autonomy and enjoy executive, legislative and independent judicial power. Under the principle of "one country, two systems", the socialist system and policies will not be practiced in Hong Kong and the way of life shall remain unchanged for 50 years. There can be no assurance that the economic, political and legal system developments in Hong Kong will not adversely affect the Group's business.

RISK FACTORS

The US dollar: Hong Kong dollar exchange rate has remained stable since the adoption of the US dollar peg and currency board system in 1983. As a result of the Asian financial crisis commenced from mid-1997, interest rate in Hong Kong climbed up significantly, real estate values declined and the Hong Kong economy suffered and went into recession until 1999. The Hong Kong dollar was subject to currency speculation in 1998 resulting in the Hong Kong government supported the market for Hong Kong dollar. Also, Hong Kong has been suffering from deflation. There can be no assurance that such economic factors will not recur or that the currency peg of the Hong Kong dollar to the US dollar will be maintained. Recurrence of recession in Hong Kong, continuing deflation or the discontinuation of the currency peg could materially and adversely affect the business, operations and financial position of the Group.

Possible impact arising from the terrorist attacks in the US on 11th September, 2001

The Group's business is, to a large extent, subject to general condition of the PRC. The terrorist attacks in New York and Washington, the US, on 11th September, 2001 are generally expected to have direct and indirect impacts on the existing global political and economic conditions. It is generally expected amongst the economists and analysts that, in the short term, the growth of global economy may be slowed down and the global political conditions may become more unstable. If the global political and economic conditions deteriorate in the near future, the Group's business performance, future plans and operations will be adversely affected.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities (Stock Exchange Listing) Rules 1989 (as amended) and the GEM Listing Rules for the purposes of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this prospectus is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this prospectus misleading; and
- (c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the related application forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Underwriters, any of their respective directors or any other person involved in the Share Offer.

FULLY UNDERWRITTEN

The Share Offer comprises an offer of 12,000,000 New Shares by the Company under the Public Offer (subject to adjustment), an offer of 84,000,000 New Shares by the Company under the Placing (subject to adjustment) and an offer of 24,000,000 Sale Shares by the Vendor under the Placing, in each case at the Offer Price. The Share Offer is sponsored by the Sponsor and is fully underwritten by the Underwriters. Please refer to the section headed "Underwriting" of this prospectus for more details.

PERMISSION OF THE BERMUDA MONETARY AUTHORITY

The Bermuda Monetary Authority has given its permission to the issue of the Offer Shares pursuant to the Share Offer, the issue of Shares to existing shareholders of the Company pursuant to the Capitalisation Issue and of options granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, the issue of options, warrants, depository receipts, rights, loan notes, bonds and other securities of the Company to persons regarded as non-residents of Bermuda for exchange control purposes and the issue of further Shares up to the amount of the authorised share capital from time to time determined by the Company to persons regarded as non-residents of Bermuda for exchange control purposes for so long as the Shares are listed on the Stock Exchange. In giving such permission and in accepting this prospectus and the application forms for filing, the Bermuda Monetary Authority in Bermuda does not accept any responsibility for the financial soundness of the Group or for the correctness of any of the statements made or opinions expressed in this prospectus or the applicable forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

OFFER SHARES TO BE OFFERED IN HONG KONG ONLY

No action has been taken in any jurisdiction other than Hong Kong and Bermuda to permit the public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such offer or invitation is not authorised to any person to whom it is unlawful to make an unauthorised offer or invitation.

APPLICATION FOR LISTING ON GEM OF THE STOCK EXCHANGE

The Company has applied to the GEM Listing Committee of the Stock Exchange for listing of and permission to deal in the Shares in issue and, to be issued pursuant to the Share Offer and as otherwise described herein, on GEM. Pursuant to rule 11.23 (1) of the GEM Listing Rules, at the time of listing and at all times thereafter, the Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of the Company in the hands of public.

No part of the Company’s share or loan capital is listed or dealt in on any other stock exchange. At present, the Company is not seeking or proposing to seek listing or permission to deal in any part of its shares or loan capital in any other stock exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential applicants for the Offer Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of the Company, the Directors, the Sponsor, the Underwriters, their respective directors or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares or the exercise of their rights thereunder.

REGISTRATION AND STAMP DUTY

All Shares in issue must be registered on the Company’s branch register of members to be maintained in Hong Kong. The Company’s principal register of members will be maintained by The Bank of Bermuda Limited in Bermuda.

Only Shares registered on the Company’s Hong Kong branch register of members may be traded on GEM. Dealings in Shares registered on the Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure of the Share Offer” on pages 118 to 122 of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares on GEM and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM or on any other date HKSCC chooses.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

DEALINGS AND SETTLEMENT

Dealings in the Shares are expected to commence on Monday, 12th August, 2002.

Shares will be traded in board lots of 10,000 Shares each.

The GEM stock code for the Shares is 8202.

Dealings in the Shares on GEM will be effected by participants of the Stock Exchange whose bid and offer quotations will be made available on the Stock Exchange's teletext page information system.

Delivery and payment for Shares dealt on GEM will be effected two trading days following the transaction date ("T+2"). Dealings in Shares on GEM are settled by physical delivery of share certificates against payment with a valid instrument of transfer and bought and sold notes correctly stamped in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong). For an investor in Hong Kong who has deposited his Shares in his stock account in CCASS or through a CCASS participant, settlement will be effected in CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Only certificates for Shares registered on the Hong Kong branch share register will be valid for delivery in respect of transactions effected on GEM.

If you are unsure about the procedures for dealings and settlement arrangement on the Stock Exchange on which Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

EXCHANGE RATE CONVERSION

For purposes of this prospectus, unless otherwise indicated, the following exchange rates have been used, where applicable, for purposes of illustration only and do not constitute a representation that any amounts have been, could have been or may be exchanged, at these or any other rates:

\$7.78 = US\$1.00
\$1.00 = RMB1.07

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Ms. Wong Yuen Yee	Flat 2403 Harbour View Garden Tower 1, 1B Sands Street Hong Kong	Chinese
Mr. Wong Kwok Sing	Room 2304, 23rd Floor Harbour View Garden Tower 1, 1B Sands Street Hong Kong	Chinese
Mr. Lam Shiu San	Flat D, 33rd Floor Block 9, Kenswood Court Kingswood Villas Tin Shui Wai New Territories Hong Kong	Chinese
Mr. Wong Yao Wing, Robert	Flat 27D, Block 4 The Tolo Place Ma On Shan Shatin New Territories Hong Kong	Canadian
<i>Independent non-executive Directors</i>		
Ms. Chow Wai Man, Grace	Room 1173, Block 13 Hong Kong Parkview 88 Tai Tam Reservoir Road Hong Kong	Chinese
Ms. Wu Wai Yee, Annis	Flat 4E Pak Hoi Mansion Taikoo Shing Hong Kong	British

<p>PARTIES INVOLVED IN THE SHARE OFFER</p>

Sponsor

Hantec Capital Limited
45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

Lead Manager

IPO Securities Limited
Suite 2812, 28th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Placing Underwriters

IPO Securities Limited
Suite 2812, 28th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Hantec Capital Limited
45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

South China Securities Limited
28th Floor
Bank of China Tower
1 Garden Road
Central
Hong Kong

CM-CCS Securities Limited
26th Floor
World Wide House
19 Des Voeux Road Central
Hong Kong

Kingston Securities Limited
Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Vermont Securities Co., Ltd.
Unit 401, 4/F.
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

PARTIES INVOLVED IN THE SHARE OFFER
--

Stockwell Securities Limited
1-3/F., Dragon House
7-7B Cameron Road
Tsimshatsui
Kowloon
Hong Kong

Tai Wah Securities Limited
Room 1001-3
Yu To Sang Building
37 Queen's Road Central
Hong Kong

Public Offer Underwriters

IPO Securities Limited
Suite 2812, 28th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Hantec Capital Limited
45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

South China Securities Limited
28th Floor
Bank of China Tower
1 Garden Road
Central
Hong Kong

CM-CCS Securities Limited
26th Floor
World Wide House
19 Des Voeux Road Central
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Vermont Securities Co., Ltd.
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PARTIES INVOLVED IN THE SHARE OFFER
--

Stockwell Securities Limited
1-3/F., Dragon House
7-7B Cameron Road
Tsimshatsui
Kowloon
Hong Kong

Tai Wah Securities Limited
Room 1001-3
Yu To Sang Building
37 Queen's Road Central
Hong Kong

Legal advisers to the Company

As to Hong Kong Law:
Stevenson, Wong & Co.
Rooms 2002-2009, 20th Floor
Edinburgh Tower
The Landmark
15 Queen's Road
Central
Hong Kong

As to Bermuda Law:
Conyers Dill & Pearman
2901, One Exchange Square
8 Connaught Road
Central
Hong Kong

As to the PRC Law:
Guang Xin Lawyers
13th Floor, Guangzhou Exchange Plaza
No. 268 Dong Feng Zhong Road
Guangzhou
Gaungdong Province
PRC

**Legal advisers to the Sponsor
and the Underwriters**

Preston Gates & Ellis
10th Floor
Hutchison House
10 Harcourt Road
Central
Hong Kong

Auditors and reporting accountants

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

PARTIES INVOLVED IN THE SHARE OFFER
--

Property valuer

RHL Appraisal Ltd.
Room 1010, Star House
Tsimshatsui
Kowloon
Hong Kong

Receiving banker

Dao Heng Bank Limited
16th Floor
The Center
99 Queen's Road Central
Hong Kong

CORPORATE INFORMATION

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business	Room 2303 Tung Wai Commercial Building 109-111 Gloucester Road Wan Chai Hong Kong
Company website	<i>http://www.cyberliving.com.hk</i>
Compliance officer	Mr. Wong Yao Wing, Robert
Company secretary	Mr. Li Kar Fai, Peter <i>FCCA, AHKSA</i>
Bermuda resident secretary	Mr. Ira Stuart Outerbridge III* <i>FCIS</i>
Qualified accountant	Mr. Li Kar Fai, Peter <i>FCCA, AHKSA</i>
Authorised representatives	Mr. Wong Yao Wing, Robert Flat 27D, Block 4 The Tolo Place, Ma On Shan Shatin, New Territories Hong Kong Ms. Wong Yuen Yee Flat 2403 Harbour View Garden Tower 1, 1B Sands Street Hong Kong
Members of audit committee	Ms. Chow Wai Man, Grace Ms. Wu Wai Yee, Annis
Bermuda resident representative	Mr. John Charles Ross Collis
Bermuda deputy resident representative	Mr. Anthony Devon Whaley
Principal share registrar and transfer office	The Bank of Bermuda Limited Bank of Bermuda Building 6 Front Street Hamilton HM 11 Bermuda

CORPORATE INFORMATION

**Hong Kong branch share registrar
and transfer office**

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal bankers

Wing Lung Bank Limited
112 Queen's Road Central
Hong Kong

Equitable PCL Bank, Inc.
Hong Kong Branch
7th Floor, Silver Fortune Plaza
1 Wellington Street
Central
Hong Kong

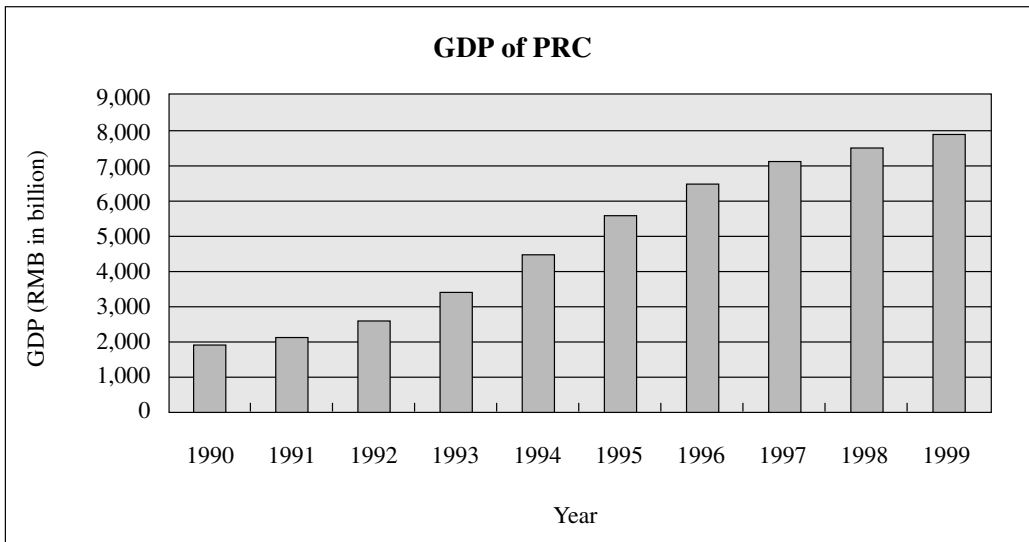
* *Mr. Ira Stuart Outerbridge III will resign following the listing of the shares on GEM.*

INDUSTRY OVERVIEW

The information presented in this section and identified as having been extracted from publicly available documents has not been prepared or independently verified by the Company, the Sponsor or any of their respective advisers or affiliates in connection with the Share Offer. Further, the information regarding the property market presented in this section is not directly related to the e-property management software application business of the Company.

Economic development of the PRC

The PRC has made significant achievements in its economic development. Gross Domestic Product (“GDP”) growth has averaged about 20% per annum since 1990. The Directors believe that such strong economic indicators provide a strong backbone for property development in the PRC.



Source: China Statistical Yearbook 2000

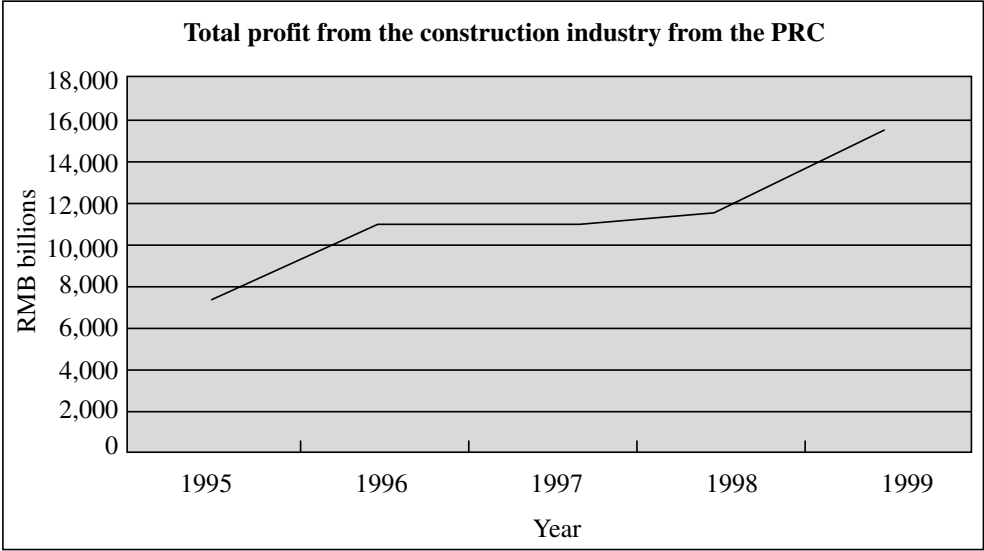
Property Market Overview of the PRC

The property market in the PRC is enjoying a prosperous period of rapid development. From 1996 to 1999, the PRC has the largest construction volume in the world, with a volume of 1.2 to 1.3 billion cubic metre increment per year. There is still much room for improvement, as the PRC presently has a construction area of 22 sq.m. per capita, compare to the 60 sq.m. in the US, 45 sq.m. in Europe and 26 sq.m. in Singapore.

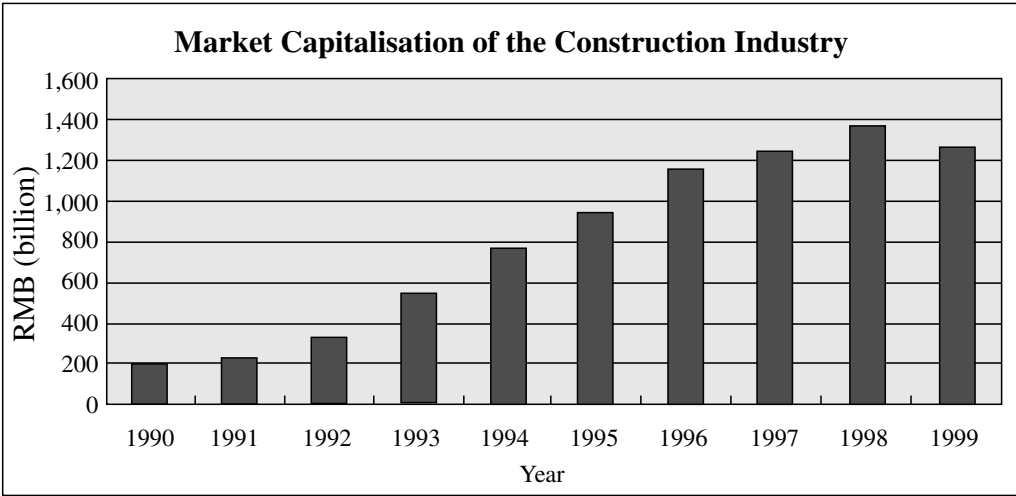
The construction industry also has auspicious signs. In the past ten years, the market capitalisation has expanded by 6.5 times, although shrunk back a little in 1999. On the other hand, the level of profits in the industry has enjoyed incessant increase in the past five years. Overall, these signs promise good returns.

INDUSTRY OVERVIEW

For instance, in the first half of 2001, the Beijing domestic commodity housing market sales market remained active. In the period between January to May, the cumulative volume of housing sales was recorded at 1,673,000 sq.m., an increase of 5.7% over the previous year. With 91.6% of all housing sales in Beijing made to individual as opposed to corporate buyers, the sales volume to individual housing purchasers has grown by 12.2%, as compared with the previous year's level.



Source: China Statistical Yearbook 2000

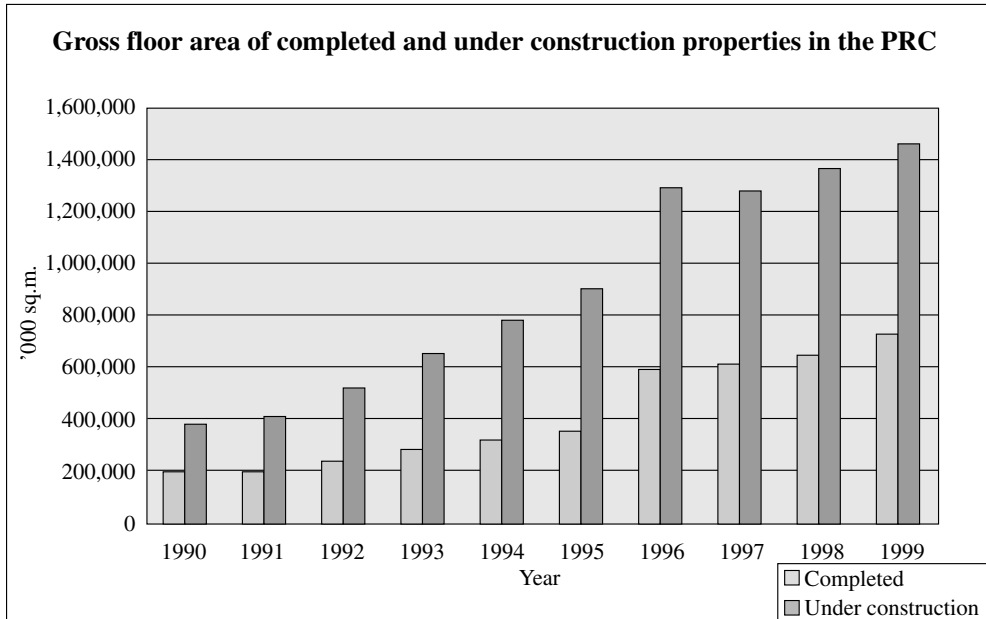


Source: China Statistical Yearbook 2000

Furthermore, the PRC's accession into the WTO may boost the property market for office and residential premises as players in service sectors such as finance, insurance, law and tourism plan to enter the PRC market.

INDUSTRY OVERVIEW

Housing supply in the PRC



Source: China Statistical Yearbook 2000

During the ten years from 1990 to 1999, the construction area in the PRC has increased from 379,230,000 sq.m. in 1990 to 1,472,625,000 sq.m. in 1999. The increase is mainly due to improved living standard in the country. As prospective economic growth in the PRC seems limitless, the trend of increasing housing supply is likely to continue in the next few years.

Prospect of the property market in the PRC

Rapid development of the PRC's residential construction industry is expected to continue in the next ten years, according to a study conducted by the Ministry of Construction of the PRC. There are a few factors that will support this statement.

- Although there has been rapid growth in both the level of residential construction and average living space, the average living space per capita in the PRC is still much lower than that in many developed economies. By the end of 2000, the average living space per capita is 20.4 sq.m., as compared to an average of 40.6 sq.m. in the developed economies. Based on the experience in some developed countries, before average living space per capita reaches 30-35 sq.m., such countries recorded sustainable growth in residential housing demands.
- Investment in properties will increase because of attractive returns and loosening regulations on purchase of properties.
- The PRC is experiencing a rapid urbanisation process. The sustained and steady growth in the PRC's national economy leads to the continuous development of cities and towns in the PRC. From 1995 to 1999, the total number of cities increased from 640 to 668 and the total number of towns increased from 16,992 to 19,000, with the total urban population rising from 349 million to 389 million and the urbanisation

INDUSTRY OVERVIEW

rate from 28.85% to 30.9%. This rapid urbanisation rate generates huge demand for residential and commercial properties for immigrants to the urban areas and for urban residents in upgrading their houses, apartments and offices.

THE PRC MACROECONOMIC AND DEMOGRAPHIC SITUATION

Blooming of Intelligent Building System

In 1999, investments on intelligent building system in the PRC have reached RMB10 billion. There were several international intelligent building system technology and equipment exhibitions launched in various big cities in the PRC. Figure shows that investment on intelligent building system, among the overall building systems, was only 5% back to the early 1980s. The percentage rose to 15% in 1999. Intelligent building system has its enormous potential and is continuing to grow in the PRC. Target is stretching to reach over 30% of the investment on overall building systems in the near future.

High Economic Growth

The Directors consider that for the past few years the PRC has experienced a fast and steady increase in its economic growth and the number of middle-income families has increased in all major cities. The Directors believe that the PRC's economic foundation will provide the necessary objective criteria for the demand for hi-tech products and services and high-speed development of cyber villages.

Popularity of Information Services

The Directors consider that both the young and mature generations in the PRC have experienced a significant role of IT in their daily lives from the Internet and other web installation in their work place or school. The Directors believe that both generations expect to live in a cyber village where they can also enjoy efficient and high quality IT services.

Increase Awareness of Property Developers

The Directors are of the view that the continuous improvement of property developers and the rapid development in property business in recent years have created acute competition in the property market. As such, the Directors believe that such competition provides market for development of cyber village.

Insignificant Competition in the Market

The Directors believe that there is not yet any e-property management service company that can provide sufficient expertise and practical experience to the PRC market for the reason that most computer companies and network solution providers within the PRC property sector are generally focusing on the hardware and broadband network and pay little attention to software application of the e-property management system. The Directors are of the view that e-property management system based on Smart Home concept is still at a preliminary stage in the PRC, therefore current competition among network solution providers within the PRC property sector is not competitive, with limited players competing for the business to provide e-property management application design, development and installation services to property developers. As such, the Directors believe that the Group is well positioned to disseminate the benefits and advantages of Smart Home concept to both property developers and the public.

INDUSTRY OVERVIEW

Mismatch in Supply and Demand

The Directors believe that there are many coordination problems in supply and demand in the IT business in the PRC:

- Due to insufficient government guidelines in application boundary and standard, most developers do not have a clear understanding of how to apply IT technology into property management business.
- Lacking in integrated expertise which can provide both designing and after sale service to the developers.
- Many integrated system providers do not have sufficient resources, and some misunderstand the definition of an expert system.

The Directors also consider that there are problems between supply and demand:

- Products and systems in general fail to cope with new development and enhancement.
- Add-ons to off-the-shelf systems and products cannot function to their full efficiency, and often fail to take into consideration the future leverage with property management.
- Lack of simple and easy to use terminal interface devices in the market hinders the generalisation and application of IT expert management and services.

The Entry of World Trade Organization

The Directors believe that joining the WTO could commit the PRC to a path that would involve more and more of its citizens in international commerce. The WTO entry will help the PRC strengthen current trade and investment institutions, thus benefits trade, investment, and economic activity. Many industries will become beneficiaries because of the entry of WTO. The Directors are of the view that property market will grow tremendously and there will be an increasing demand of Smart Home.

MARKET OUTLOOK

The Directors believe that IT development is a global trend and the PRC's internal market provides room for the development of small cyber villages. The Directors expect that key points to future market development in the PRC include:

- To expand small cyber village establishments in the coming few years;
- To learn from the successful examples of advanced countries in Europe and North America in the setting up of small cyber villages in the area of planning, running and management pattern;
- To employ high standard professional companies for the coordination of integrated design and planning;
- To develop high technical products in the market;

INDUSTRY OVERVIEW

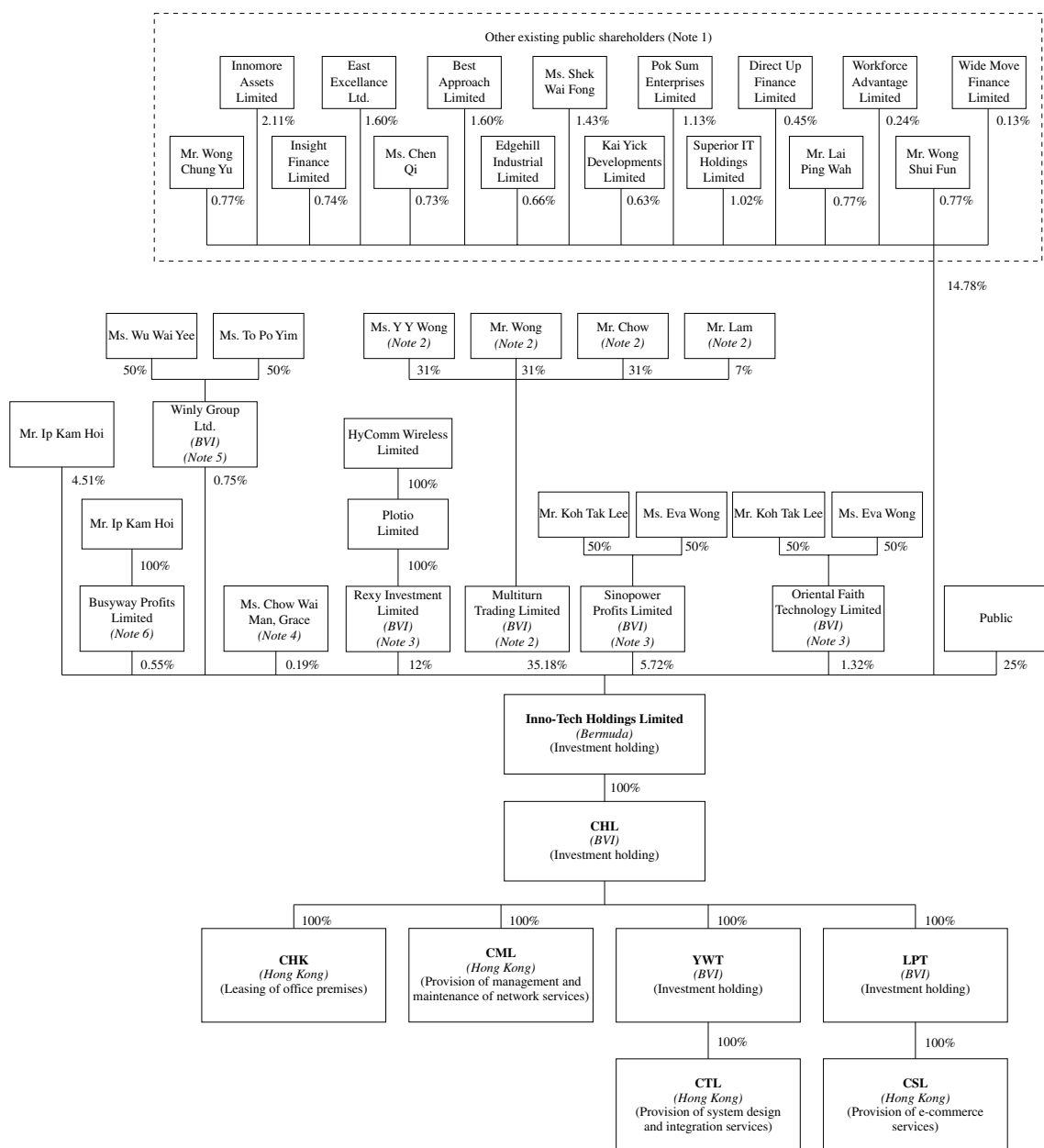
- To develop more simple and user-friendly user terminal interface, with emphasis on actual application efficiency;
- To expand more varieties in IT services and value added contents in the cyber village system, and the system-integrated platform to cater for future expansion and upgrades; and
- To develop systemised electronic property management as the key service in future cyber villages.

SHAREHOLDING STRUCTURE OF THE GROUP

GROUP STRUCTURE

The Company was incorporated in Bermuda as an exempted company on 19th November, 2001. In preparation for and in anticipation of the listing of the Shares on GEM, the companies comprising the Group underwent a reorganisation following which the Company becomes the holding company of the Group. Particulars of the reorganisation are set out in the paragraph headed “Corporate reorganisation” in Appendix IV to this prospectus.

The following chart sets out the corporate and shareholding structure of the Group upon completion of the Share Offer and the Capitalisation Issue (taking no account of the Over-allotment Shares to be issued pursuant to the exercise of the Over-allotment Option):



SHAREHOLDING STRUCTURE OF THE GROUP

Notes:

- The shareholdings of other existing public shareholders in the Company upon completion of the Share Offer and the Capitalisation Issue (taking no account of the Shares to be issued pursuant to the exercise of the Over-allotment Option) are as follows:

Name	Number of Shares	Percentage of Shareholding
1. Innomore Assets Limited	10,128,000	2.11%
2. East Excellance Ltd.	7,680,000	1.60%
3. Best Approach Limited	7,680,000	1.60%
4. Mr. Shek Wai Fong	6,864,000	1.43%
5. Pok Sun Enterprises Limited	5,424,000	1.13%
6. Superior IT Holdings Limited	4,896,000	1.02%
7. Mr. Lai Ping Wah	3,696,000	0.77%
8. Mr. Wong Shui Fun	3,696,000	0.77%
9. Mr. Wong Chung Yu	3,696,000	0.77%
10. Insight Finance Limited	3,552,000	0.74%
11. Ms. Chen Qi	3,504,000	0.73%
12. Edgehill Industrial Limited	3,168,000	0.66%
13. Kai Yick Developments Limited	3,024,000	0.63%
14. Direct Up Finance Limited	2,160,000	0.45%
15. Workforce Advantage Limited	1,152,000	0.24%
16. Wide Move Finance Limited	624,000	0.13%

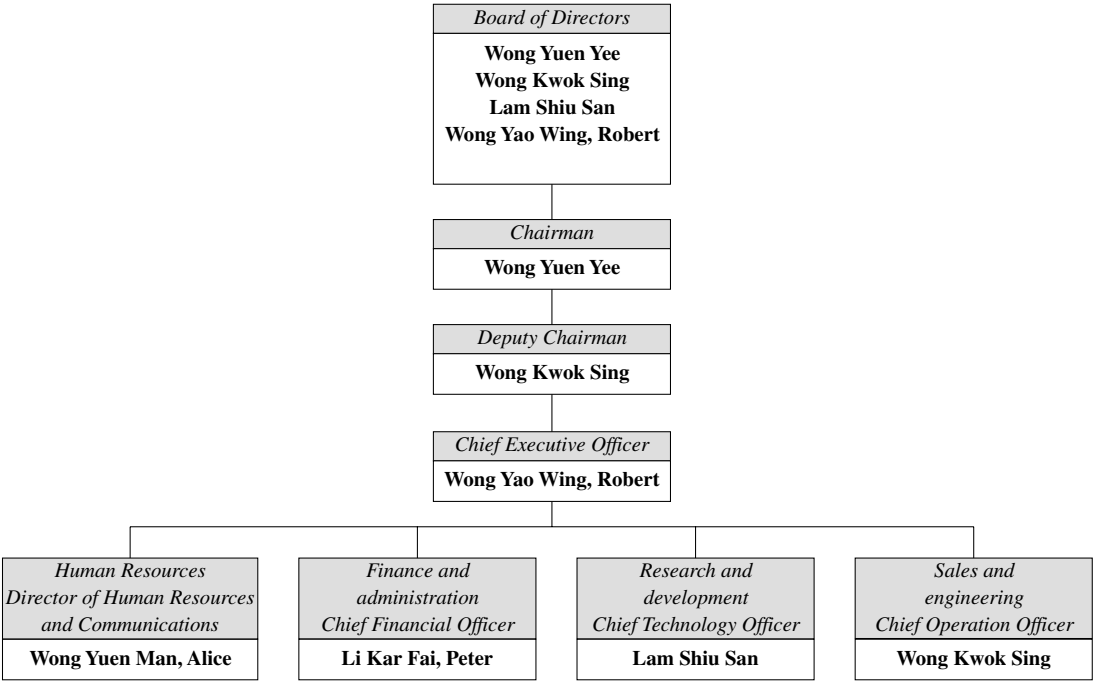
Each of and each of the beneficial owners of (as the case may be) (i) Innomore Assets Limited, namely Mr. Sy Eio Tat Eugene, (ii) East Excellance Ltd., namely Mr. Ho Yiu Ming, Mr. Lee Chiu Kang, Mr. Chan Siu Man and Mr. Chu Wai Pang, (iii) Best Approach Limited, namely Mr. Law Fung Yuen, Paul, (iv) Ms. Shek Wai Fong, (v) Pok Sun Enterprises Limited, namely Mr. Chua Yau Kwing, (vi) Superior IT Holdings Limited, namely Mr. Chan Kam Cheong, (vii) Mr. Lai Ping Wah, (viii) Mr. Wong Shui Fun, (ix) Mr. Wong Chung Yu, (x) Insight Finance Limited, namely Ms. Yeung Yik, (xi) Ms. Chen Qi, (xii) Edgehill Industrial Limited, namely Mr. Lam Wing Chung, (xiii) Kai Yick Developments Limited, namely Ms. Ho Sai Man, (xiv) Direct Up Finance Limited, namely Ms. Mok Siu Ling, (xv) Workforce Advantage Limited, namely Mr. Kang Jing and Mr. Sun Li Hua, and (xvi) Wide Move Finance Limited, namely Mr. Pan Qi are independent third parties not connected with any of the Directors, the chief executive of the Company and its subsidiaries, the Significant Shareholders, the Initial Management Shareholders, the Substantial Shareholders or any of their respective associates and all of them are considered to be public shareholders. Each of them does not have any board representation or involvement in the management of the Company and their acquisition of Shares were not financed directly or indirectly by any connected person to the Group. Each of the aforesaid beneficial owners and individual owners is independent to each other.

- Ms. YY Wong, Mr. Wong, Mr. Chow and Mr. Lam are Initial Management Shareholders of the Company. Ms. YY Wong and Mr. Wong are the founders of the Group. Mr. Chow and Mr. Lam became a director of CHL since 22nd July, 2000.
- Rexy Investment Limited is the Substantial Shareholder and is wholly owned by Plotio Limited, which is wholly owned by HyComm Wireless Limited, an independent third party, which shares are listed on the Stock Exchange. Sinopower Profits Limited and Oriental Faith Technology Limited are the Significant Shareholders. Both Sinopower Profits Limited and Oriental Faith Technology Limited are wholly-owned by Mr. Koh Tak Lee and Ms. Eva Wong in equal shares, who are independent third parties and each of them is deemed to be interested in 33,792,000 Shares, representing approximately 7.04% interests in the Company under the SDI Ordinance upon completion of the Share Offer and the Capitalisation Issue.
- Ms. Chow Wai Man, Grace is an independent non-executive Director and is one of the Initial Management Shareholders.
- The beneficial owners of Wingly Group Ltd. are Ms. Wu Wai Yee, Annis, an independent non-executive Director, and Ms. To Po Yim and each of them is deemed to be interested in 3,600,000 Shares, representing approximately 0.75% interests in the Company under the SDI Ordinance upon completion of the Share Offer and the Capitalisation Issue. For the purpose of the GEM Listing Rules, Wingly Group Ltd., Ms. Wu Wai Yee, Annis and Ms. To Po Yim are three of the Initial Management Shareholders.
- Busyway Profits Limited is wholly-owned by Mr. Ip Kam Hoi.

SHAREHOLDING STRUCTURE OF THE GROUP

ORGANISATION CHART

The diagram below shows the organisational and management structure of the Group and its major operational division.



HISTORY AND DEVELOPMENT

The Group was founded by Ms. Y Y Wong and Mr. Wong in August 1999 with an aim to provide consulting services in relation to Residential Intranet and e-property management software application to property developers in the PRC.

At that time, the Directors anticipated that there was a potential market for the development of computerised e-property management system and the provision of related services in the PRC as broadband network had become one of the basic facilities of properties developed by the property developers.

CTL, a company incorporated in Hong Kong with limited liability on 23rd August, 1999, was acquired by Mr. Wong and Ms. Y Y Wong on 28th October, 1999 as the first subsidiary of the Group. Since the acquisition, Mr. Wong and Ms. Y Y Wong owned CTL in equal shares until 28th May, 2000 when YWL acquired 100% beneficial interests in the entire issued share capital of CTL from Mr. Wong and Ms. Y Y Wong. CTL is principally engaged in the design of Residential Intranet and the design and development of the associated e-property management software application in residential complex.

On 28th October 1999, CML, a company incorporated in Hong Kong with limited liability on 19th September, 1999, was acquired by Mr. Wong and Ms. Y Y Wong. Mr. Wong and Ms. Y Y Wong owned CML in equal shares since the acquisition until 4th June, 2001 when CHL acquired 100% beneficial interests in all ordinary and non-voting deferred issued shares of CML. CML is principally engaged in the provision of management and maintenance of e-property management software application.

In September 1999, the Group started to approach an independent market research agent namely Shanghai Yi Long Trading & Development Limited (“上海一龍貿易發展有限公司”) in Shanghai, the PRC to conduct market research on its Smart Home concept in relation to the Shanghai property management and property development markets so as to further explore the business opportunities in the PRC. The Group eventually finalised the appointment with such research agent on 15th November, 1999. The market research report covers the origination of concept of intellectual community, the introduction of intellectual community, the development trend of intellectual community in the PRC and overseas market and potential business opportunity in the PRC. Shanghai Yi Long Trading & Development Limited is independent of and not connected with the Directors and the chief executive of the Group, the Initial Management Shareholders and the Controlling Shareholders and their respective associates (as defined in the GEM Listing Rules).

Prior to commencing its active business pursuit, the Group maintained a relatively small scale of operation. Notwithstanding the fact that no director was appointed to any members of the Group on or before 28th October, 1999, during the period from October 1999 and December 1999, the Group was principally engaged in conducting various routine office administration and marketing activities, such as overseas travel arrangement, product demonstration and communications among potential clients, market research agent and seminar organisers, so as to build up the reputation of and clientele for its services and products. Since then, the Group’s marketing has been focusing on the PRC property market in order to enable the Group to have a well established relationship with the property developers in the PRC.

HISTORY AND DEVELOPMENT AND STATEMENT OF ACTIVE BUSINESS PURSUITS

The Directors conceived a strategy to integrate the Smart Home concept into its e-property management consulting services and in October 1999 the Group commenced to design and develop e-property management software application in order to seize such immense business opportunities. Based on their experience in property management and information technology, Ms. YY Wong and Mr. Wong reinvented the process and operations of traditional property management by utilising information technology to improve the efficiency and enrich the functions of property management.

As at 20th December, 1999, the Group's active business pursuit period officially commenced. In view of the vast market potential in Shanghai, the PRC and the expected continuing economic growth in the PRC, on 20th December, 1999, the Group entered into its first consulting agreement with contract value of \$120,000 with a property developer namely Shanghai Residential Real Estate Development Company Limited in Shanghai, the PRC. Pursuant to the said agreement, the Group agreed to provide consulting services such as detailed market analysis, feasibility study on e-property management system and Residential Intranet design. The Group has fulfilled its obligations under the said agreement by providing two detailed reports on the design and specification schemes in relation to intellectual community in the PRC. The report on the design scheme provided by the Group comprises details of (i) introduction of system designed for intellectual community; (ii) schematic design of e-property management system; (iii) schematic design of structure cabling system; (iv) information system designed for intellectual community; (v) introduction of smart card operated community management system; (vi) smart card operated residential system; (vii) community close circuit television security system; and (viii) residential video door phone system. The Directors confirm that Shanghai Residential Real Estate Development Company Limited is independent of and not connected with the Directors or the chief executive of the Group, the Initial Management Shareholders and the Controlling Shareholders and their respective associates (as defined in the GEM Listing Rules). Since then, the Group continues to focus on its business in the major cities in the PRC by designing and developing tailor-made e-property management software application for different property developers in order to tap into the potential growth in the demand for intellectual community in the PRC. The Directors consider that the Group has been pursuing a focus line of business of consultancy services to its PRC clients for the development of e-property management systems since the commencement of its business.

On 15th March, 2000, LPT was incorporated in BVI by Ms. Y Y Wong as an intermediate investment holding vehicle, which does not carry on any business, other than to hold the shares of CSL. LPT was wholly owned by Ms. Y Y Wong since its incorporation until 28th May, 2000 when CHL acquired the entire issued share capital of LPT from Ms. Y Y Wong.

On 15th March, 2000, YWT was incorporated in BVI by Ms. Y Y Wong as an intermediate investment holding vehicle, which does not carry on any business, other than to hold the shares of CTL. YWT was wholly owned by Ms. Y Y Wong since its incorporation until 28th May, 2000 when CHL acquired the entire issued share capital of YWT from Ms. Y Y Wong.

On 15th March, 2000, CHK was incorporated in Hong Kong with limited liability by Ms. Y Y Wong and Mr. Wong. Ms. Y Y Wong and Mr. Wong owned CHK in equal shares until 1st August, 2000, when CHL acquired 100% beneficial interests in the entire issued share capital of CHK from Ms. Y Y Wong and Mr. Wong.

On 22nd March, 2000, CSL was incorporated in Hong Kong with limited liability by Ms. Y Y Wong and Mr. Wong. Ms. Y Y Wong and Ms. Wong owned CSL in equal shares until 4th June 2001, when LPT acquired the entire issued share capital of CSL. CSL will collaborate with application service providers to develop value-added services, such as e-shopping and e-ticketing, for households.

HISTORY AND DEVELOPMENT AND STATEMENT OF ACTIVE BUSINESS PURSUITS

On 19th May, 2000, CHL was incorporated in BVI with limited liability by Ms. Y Y Wong and Mr. Wong as the intermediate holding company of the Group. Since its incorporation, Ms. Y Y Wong and Mr. Wong together, both directly and/or indirectly, had owned a controlling interest in CHL until the Company acquired the entire issued share capital of CHL pursuant to the group reorganisation exercise which is described in the section headed “Corporate reorganisation” in Appendix IV to this prospectus. Details of the changes in shareholding structure of CHL are set out in the section headed “Summary of changes in shareholding structure of CHL” in Appendix IV to this prospectus.

The Group had no bank accounts during the period from 23rd August, 1999 to 31st March, 2000. All receipts and payments of the Group were arranged and made by a Director on behalf of the Group and were recorded through the current account with such Director during the respective period. For the period from 23rd August, 1999 to 31st March, 2000, the total amount of expenses paid by the Director on behalf of the Group amounted to approximately \$526,000, which primarily comprised staff salaries of approximately \$318,000, costs for seminars of approximately \$40,000, travelling expenses of approximately \$52,000, entertainment expenses of approximately \$18,000 and rent and rates of approximately \$42,000. Given the service fee income received by the Director of approximately \$120,000 for the respective period, the balance of the Director’s account as at 31st March, 2000 was a deficit of approximately \$406,000. As advised by the Directors, no purchase of fixed assets was made during the period as the Group had made an arrangement with Land First Holdings Limited, a company wholly owned by Ms. YY Wong, for sharing office space and equipment at a monthly fee of \$6,000 since the incorporation of the Group to 31st July, 2000. The Directors are of the view that it is a reasonable practice to minimise the overheads of the Group at the preliminary stage of business development as its scale of operation was comparatively small at that time.

On 28th May, 2000, the Group entered into an agreement with a property developer in Beijing, the PRC pursuant to which the Group agreed to design a tailor-made Residential Intranet for the assigned community and provide consulting services related to the implementation of a system of Residential Intranet. On 31st May, 2000, the Group entered into another agreement with a property developer in Guangzhou, the PRC.

On 22nd July, 2000, with a view of strengthening the shareholder base and providing additional funding for the Group’s business development, Sinopower Profits Limited, which is an investment holding company incorporated in BVI, was invited to become a strategic investor of the Group to provide funding for the enhancement of the Group’s e-property management software application.

On 29th August, 2000, the Group entered into a non-legally binding and non-exclusive memorandum of understanding with a database software vendor namely Sybase Inc. and a hardware manufacturer namely MainStreet Networks, Inc. with an initial objective of making use of their respective advanced software technology and innovative service gateway technology to collaborate the design and development of its e-property management software application. Pursuant to such memorandum of understanding, all parties expressed their intentions to form a joint venture to explore business cooperation in relation to the provision of e-property management services in the PRC. Besides, under the memorandum of understanding the Group was granted with a right to present the terminal device regarded as its i-Panel version 1.0 and on-premise Internet gateway on behalf of MainStreet Networks, Inc. to the Group’s potential clients. **However, due to the technical fallout on the i-Panel version 1.0, the co-operation contemplated under the memorandum of understanding was terminated subsequently and there is no business relationship maintained with these two companies.**

HISTORY AND DEVELOPMENT AND STATEMENT OF ACTIVE BUSINESS PURSUITS

On 25th September, 2000, the Group organised its first seminar in Shanghai, the PRC in collaboration with the Science and Technology Commission of Shanghai Municipality to promote its Residential Intranet embedded with e-property management software application in the PRC.

In October 2000, HyComm Wireless Limited whose securities are listed on the Main Board became a strategic investor of the Group, enabling the Group to further expand its e-property management software application.

With the aim of further promoting its e-property management software application, the Group participated in two exhibitions respectively held in Beijing, the PRC for the period from 14th November, 2000 to 15th November, 2000 and in Shanghai, the PRC for the period from 15th December, 2000 to 17th December, 2000. On 24th April, 2001, the Group organised a corporate lunch presentation in Hong Kong namely The Future Standard of Living in China to introduce its Smart Home concept and promote its products and services with the objective of further expanding its market in the PRC.

Since November 2000, the Group has commenced to study the design of i-Panel. Leveraging on its efforts in the study on the specifications and architecture of high end microprocessor based i-Panel, the Group designed and developed its first i-Panel namely i-Panel version 2.0 in collaboration with Informtech International Limited which is an independent local hardware designer. According to the collaboration arrangement, the Company provided the i-panel functional specification to define the detail technical specification and product outlook design whereas Informtech International Limited provided the detail circuit design and chassis production. The Directors confirm that the beneficial owners of Informtech International Limited are independent third parties. In October 2001, the Group completed the development of related firmware and launched its i-Panel version 2.0. Subsequently with a view of further enhancing its i-Panel version 2.0 by incorporating additional features consisting of video door phone, speaker phone, Intranet client, video-on-demand, TV interface and home wireless security, the Group continued to collaborate with Informtech International Limited to formulate the specification of its i-Panel version 3.0.

With a clear vision of applying networking technology to the property management industry in the PRC, the Group first introduced its innovative proprietary e-property management software application for a property developer in Shenzhen, the PRC. Pursuant to a contract signed on 23rd May, 2001, the Group is responsible for providing software solution to be installed into the customer's network system that covers over 1,000 residential units with a total contract value of approximately \$2,600,000.

On 21st June, 2001, the Group entered into a memorandum of understanding with an ISP namely 上海電信數碼通寬帶網絡有限公司 in the PRC and a system integration provider namely 上海銘源數碼股份有限公司 pursuant to which the parties agreed to cooperatively explore business opportunities in the PRC. As advised by the Directors, as at the Latest Practicable Date, no business activities had been conducted or scheduled to be conducted amongst the said parties. The Directors intend to leverage on 上海電信數碼通寬帶網絡有限公司's and 上海銘源數碼股份有限公司's extensive connection in Shanghai, the PRC and their respective expertise in broadband networking and system integration so as to serve the Group's customers comprehensively. Save as disclosed above, the Directors confirm that the Group has not entered into co-operation agreements with any ISPs in the PRC. The Directors also confirm that each of 上海電信數碼通寬帶網絡有限公司 and 上海銘源數碼股份有限公司 is independent of and not connected with the Directors or the chief executive of the Group, the Initial Management Shareholders and the Controlling Shareholders and their respective associates (as defined in the GEM Listing Rules).

HISTORY AND DEVELOPMENT AND STATEMENT OF ACTIVE BUSINESS PURSUITS

On 27th July, 2001, the Group entered into a cooperative agreement with a software vendor namely Great Asia. Pursuant to the said agreement, such software vendor agreed to perform certain software development activities consisting of the detailed software specification, module coding and module testing, whereas the Group was responsible for evaluating and analysing user's requirements, defining software application specifications, designing software according to the required functions and specifications and building prototype in the software development.

On 19th November, 2001, the Company was incorporated in Bermuda with limited liability. The Company became the ultimate holding company of the Group pursuant to the group reorganisation exercise which is described in the section headed "Corporate reorganisation" in Appendix IV to this prospectus.

On 21st January, 2002, the Group entered into a software development agreement with another software vendor namely Shanghai Yuan Zhan in order to further enhance the features of its existing e-property management software application. Pursuant to such agreement, Shanghai Yuan Zhan agreed to develop a video-on-demand server and its associated back-end management software application modules incorporated with principal functions comprising system safety facility, administrator account management, client account management, billing management and video content management for the Group.

In May 2002, the Group completed the preliminary design and development of the functions of its i-Panel version 3.0. The Group is currently collaborating with Informtech International Limited to finalise the outlook of its i-Panel version 3.0.

Since its establishment in August 1999, the Group has been cooperating with nine property developers to carry out its projects in the PRC.

STATEMENT OF ACTIVE BUSINESS PURSUITS

The table below sets out the active business pursuits undertaken by the Group for the year ended 31st March, 2001, for the year ended 31st March, 2002 and for the period from 1st April, 2002 to the Latest Practicable Date.

	For the year ended 31st March, 2001	For the year ended 31st March, 2002	For the period from 1st April, 2002 to the Latest Practicable Date
Business strategy	<ul style="list-style-type: none"> – entered into a non-legally binding and non-exclusive memorandum of understanding with a US database software vendor namely Sybase Inc. and a US hardware manufacturer namely MainStreet Networks, Inc. pursuant to which the Group agreed to jointly explore business cooperation in the PRC – contacted and visited overseas vendors for product sourcing 	<ul style="list-style-type: none"> – continued to explore business opportunities and partners in the PRC 	<ul style="list-style-type: none"> – continued to explore business opportunities and partners in the PRC

HISTORY AND DEVELOPMENT AND STATEMENT OF ACTIVE BUSINESS PURSUITS

	For the year ended 31st March, 2001	For the year ended 31st March, 2002	For the period from 1st April, 2002 to the Latest Practicable Date
Product design, enhancement and development	<ul style="list-style-type: none"> – marketed the terminal device regarded as its i-Panel version 1.0 on behalf of namely MainStreet Networks, Inc. – commenced the discussion with a local hardware designer namely Informtech International Limited to formulate the specification of the i-Panel version 2.0 – commenced the design of the firmware for i-Panel version 2.0 – commenced the feasibility study of its e-property management software application – commenced to define the functional specification of its e-property management software application – commenced the design of its e-property management software application 	<ul style="list-style-type: none"> – continued the discussion with Informtech International Limited to formulate the specification of the i-Panel version 2.0 – commenced the identification of the i-Panel version 2.0 and the development of related firmware – launched the i-Panel version 2.0 – commenced the discussion with Informtech International Limited to formulate the specification of the i-Panel version 3.0 including video door phone, speaker phone, Intranet client, video-on-demand, TV interface and wireless home security – appointed a software vendor namely Great Asia to perform certain software development activities for its e-property management software application – appointed another software vendor namely Shanghai Yuan Zhan to develop a video-on-demand server and its associated back-end management software application modules – completed one of its clients' e-property management software application 	<ul style="list-style-type: none"> – finalised the formulation of the specification of the i-Panel version 3.0 with Informtech International Limited – completed the preliminary design and development of the functions of the i-Panel version 3.0 with Informtech International Limited

HISTORY AND DEVELOPMENT AND STATEMENT OF ACTIVE BUSINESS PURSUITS

	For the year ended 31st March, 2001	For the year ended 31st March, 2002	For the period from 1st April, 2002 to the Latest Practicable Date
Sales and marketing	<ul style="list-style-type: none"> – received a market research report on the Group's Smart Home concept based on the Shanghai property market from the market research agency in Shanghai, the PRC – organised a seminar in Shanghai, the PRC in collaboration with the Science and Technology Commission of Shanghai Municipality to promote its Residential Intranet embedded with e-property management software application – participated in two exhibitions organised by Sybase Inc. in Beijing, the PRC and Shanghai Information Services Department in Shanghai, the PRC – secured three contracts with three property developers in the PRC – the Group funded its operations from internal resources and shareholders' loans 	<ul style="list-style-type: none"> – continued to appoint Shanghai Yi Long & Development Limited in Shanghai, the PRC to conduct market research for the Group – organised a corporate lunch presentation in Hong Kong to introduce its Smart Home concept and promote its products and services so as to further expand its market in the PRC – signed twelve contracts with seven property developers in the PRC of which seven contracts were completed during the year under review 	<ul style="list-style-type: none"> – continued to appoint Shanghai Yi Long Trading & Development Limited in Shanghai, the PRC to conduct market research for the Group – negotiated with potential property developers in the PRC – commenced to formulate future promotional events in Shanghai, the PRC for its products and services
Major source of financing	<ul style="list-style-type: none"> – in July 2000, the Group issued and allotted shares to Sinopower Profits Limited in consideration of \$5.6 million for cash 	<ul style="list-style-type: none"> – the Group's operation was financed by its internally generated funds 	<ul style="list-style-type: none"> – the Group's operation was financed by its internally generated funds

DESCRIPTION OF BUSINESS

The Group is a software application solutions provider in the property market in the PRC, and is principally engaged in (i) the design of Residential Intranet including the recommendation of network layout, advice on procurement of hardware and evaluation of software application; and (ii) the provision of e-property management software application consulting services, including the design, development, installation, maintenance and upgrade of e-property management software application.

The Residential Intranet designed by the Group is an open platform which allows household units to link up with each other within the community and in turn forms an inter-community network.

The Group's e-property management software application aims to offer tailor-made property and household management solutions to facilitate property developers to automate property management functions and to enable residents, through the Residential Intranet, to access a variety of information and services in relation to e-commerce, e-communication and e-convenience.

During the Track Record Period, the Group's turnover was entirely attributable to the provision of the design of Residential Intranet and e-property management software application design, development and installation services to the PRC property developers.

The Directors believe that the principal benefits gained from the Group's e-property management software application for the property developers include an increase in property management efficiency, a strengthened security management, quick access to the statistical and marketing information that is required to manage lodging properties and an enhancement in household to household and household to communities communications. The Group's e-property management software application will allow the property management company to analyse and monitor the environment of the community in a more effective manner.

The Directors consider that the quality of the Group's consulting service will be enhanced by the synergistic value of the Group's e-property management software application, and the Group will be able to provide a "one-stop" service for customers implementing full-fledge Intranet network.

BUSINESS MODEL

Residential Intranet design

The Group has been providing design services for property developers who seek to install Residential Intranet at their development projects. Given the installation of the Intranet designed by the Group, the Directors believe that the property developers could market their properties in a prestigious perception to prospective buyers.

E-property management software application consulting services

It is the Group's vision to provide a better quality lifestyle to people living in cities in the PRC. The Group designs and develops the software application of the e-property management system for the property developers in the PRC based on its Smart Home concept, with the use of broadband network infrastructure, service gateway and interactive terminal device installed by the

property developers. The Group's e-property management software application will facilitate property management company to carry out routine property management functions through management platform which will enable a more direct and interactive communications between property management company and each individual household. Besides, it will help to streamline the daily operations and administration of the property management company by utilising the ERP application module. On the other hand, household users will be able to access a variety of information and obtain services such as reservation of club house facilities, local news headlines and weather report, shopping guide and community bulletin board.

The e-property management system will offer a solution comprising hardware, such as terminals, gateways and data operating centres, and various software applications to satisfy the requirements of the property developers and property management companies. The Group will only recommend its customers to purchase hardware from vendors whereas it will design and develop the software applications of the e-property management system to the PRC property developers.

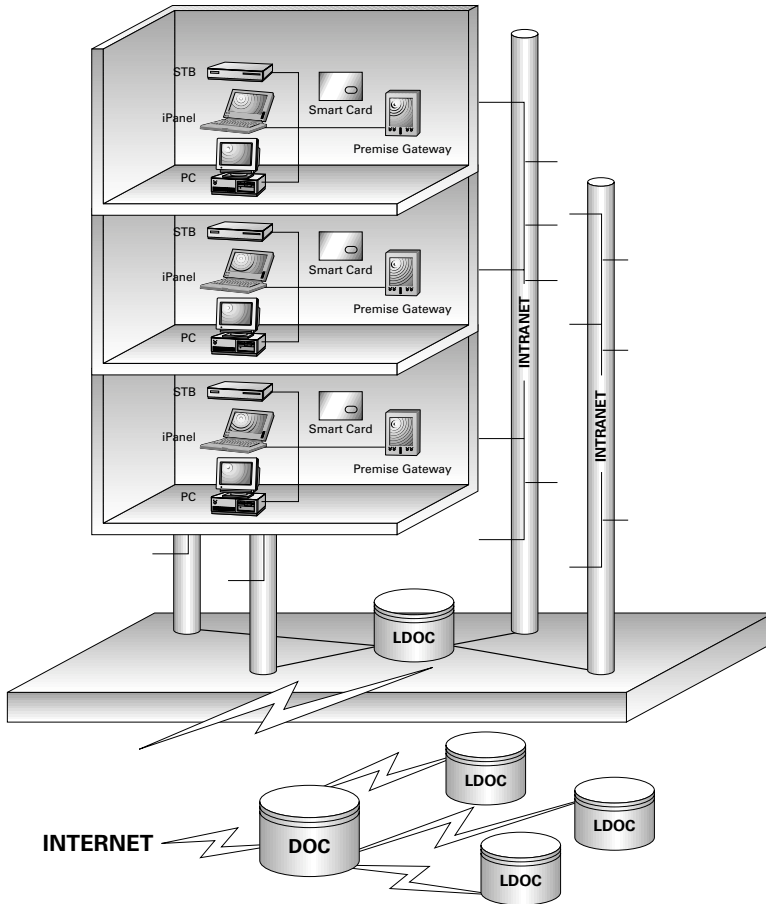
The design and development of e-property management software application are carried out by the Group in Hong Kong. As all rights to the design and development of the e-property management software application belong to the clients of the Group and for their own use, according to the PRC laws and regulations, no licence or approval is required. Details of which are set out in paragraph headed "Regulations relating to business of the Group" under the section headed "Business" of this prospectus.

After-sales technical support services

The after-sales technical support services provided by the Group to its clients generally include software application maintenance, upgrade, and content management. The software application maintenance activities comprise the provision of regular maintenance such as hotline and on-site supporting and troubleshooting, offsite backup, system database administration and maintenance, system stability and performance monitoring and turning so as to keep the software application running on best situation. The software application upgrade activities consist of system bug correction, module modification and feature enhancement to the software application based on the request of the Group's clients. The content management principally involves enhancement of the content management platform, enabling the platform to manage more multimedia content from different content provider. The Directors believe that the provision of the Group's comprehensive after-sales technical support services will allow the Group to generate steady recurrent income.

Hardware

The following diagram illustrates the network architecture of the hardware of the e-property management system:



Interactive terminal devices

The Group will provide a flat touch LCD screen, namely i-Panel, to the property developer for installation at each household unit. With an aim of providing convenience to household user via an electronic way, the panel is designed to serve as an interface for each household user to perform interactive communication with the property management company and gain access to various on-line information and services, such as:

- (i) Facility booking: household user can book the club facilities by using i-Panel at home instead of personally going to the clubhouse for booking arrangement;
- (ii) On-line shopping: household user can buy household items by using i-Panel at home instead of personally going to the supermarket; and
- (iii) Bill enquiry: household user can check his/her monthly management fee statement and latest clubhouse account balance by using i-Panel at home instead of personally going to management office or clubhouse.

Leveraging on its efforts in the study on the specifications and architecture of high end microprocessor based i-Panel, the Group co-operated with an independent local hardware designer namely Informtech International Limited to design and develop its first i-Panel namely i-Panel version 2.0. In October 2001, the Group completed the development of related firmware and launched its i-Panel version 2.0. Subsequently, the Group further enhanced its i-Panel version 2.0 by incorporating additional features. The Group completed the preliminary design and development of the functions of its i-Panel version 3.0 in May 2002 and is currently collaborating with Informtech International Limited to finalise the outlook of its i-Panel version 3.0. It is the plan of the Group to further develop the panel to activate the interior facilities with functions to act as integrated gateway.

Services gateway

The services gateway is a device that connects each household unit to the Residential Intranet. With the deployment of high-speed Intranet connections and LDOC, the services gateway will serve as an integrated services enabler which offers integrated voice, data and video services, such as communication, utility metering, home automation, security control and remote home healthcare .

LDOC

The LDOC is located at property management office to facilitate and manage flows of data from data operating centre through Internet connectivity. The LDOC will be installed by the property developers, embedding two management systems including SGMS and PIMS. SGMS is designed for operating the distributed network of services gateway by providing functions of remote administration, service upgrade and configuration, as well as continuous network monitor. On the other hand, PIMS offers functions and features ranging from site management, clubhouse management and automation of traditional property management. It also serves as interactive communication device to local community through distributed network of i-Panel.

Data operating centre

The data operating centre implements and manages Internet connectivity to facilitate and manage the delivery of high-speed, high-capacity, diverse, fully redundant and fault tolerant network connections through residential complex's LDOC to the distributed network of i-Panel and services gateway.

Software development

The Group aims to develop software products that are specifically designed for the property market in the PRC that, with minor customisation, can be implemented for different property developers and can be adopted to run in a residential environment as an e-property management software application through the Residential Intranet. As such, the Group entered into a cooperative agreement with a software vendor namely Great Asia on 27th July, 2001 whereby Great Asia agreed to perform certain software development activities, which consisted of the detailed software specification, module coding and module testing in the software development, for the Group's e-property management software application. Whereas, the Group was responsible for evaluating and analysing user's requirements, defining software application specifications, designing software according to the required functions and specifications and building prototype in the software development. As advised by the Directors, Great Asia has completed the development of an e-property management software template integrated with various fundamental application modules in accordance with the required schedule and is currently undertaking the remaining obligations under the said contract.

To further enhance the features of its existing e-property management software application, the Group entered into a software development agreement with another software vendor namely Shanghai Yuan Zhan on 21st January, 2002. Pursuant to such agreement, Shanghai Yuan Zhan agreed to develop a video-on-demand server and its associated back-end management software application modules incorporated with principal functions comprising system safety facility, administrator account management, client account management, billing management and video content management for the Group. Shanghai Yuan Zhan is now in progress of executing its obligation under the contract as aforesaid.

To obtain customisation, a team consisting of a chief technology officer and a project design officer of the Group will normally, where appropriate, make essential modification and configuration to the e-property management software template jointly designed and developed by the Group and Great Asia in accordance with the specific requirements of each of the Group's clients. The software application modules will allow interactive communication amongst household users and property management companies. Given the built-in Internet accessibility feature, these modules will enable the property management companies to allow the household users to obtain access to the Internet by forming associations with local ISPs in the PRC. In addition, the property management companies will be able to establish association with content/service providers to provide on-line services and information to the household users. Generally, the Group's software application modules can be broadly classified into the following two categories:

Front-end applications

The Group's objective is to provide a convenient and quality living environment for the household users by developing an integrated platform which will enable the household users to constitute an on-line community for sharing information, to communicate interactively and to make use of different applications. Such integrated platform will accommodate system enhancement where additional services and applications can be added on, such as:

- electronic game arcade;
- classified advertising directory;
- local news and weather report;
- bulletin board; and
- entertainment.

Back-end applications

The Group's back-end application service module will enable property management companies to streamline their daily operations and administrations, such as accounting, human resources management, inventory control, and improve efficiency in community management. The following will be the major functions of application modules available:

- accounting and finance;
- budgeting;
- human resources management;
- inventory control;
- fixed assets management;
- repair and maintenance;
- club house and facilities management;
- system security management; and
- residents profile management.

The Directors consider that as the Group's software application modules of the e-property management system are designed to accommodate different features, it is crucial for the Group to understand its customers' needs and requirements prior to software design and development. The Directors intend that a group of employees would be designated to form a team comprising a project manager and a system analyst to liaise with the Group's customers and render advice on the proposed functions and specifications of the software application that satisfies their requirements. It is the Group's strategy to focus on the design of its Residential Intranet as well as the design and development of the e-property management software application, and hence all the works of system installation together with hardware manufacturing and sourcing will be performed by third parties recommended by the Group to its clients.

The Directors believe that the engagement in the customisation of software design can strengthen the Group's ability to design its Residential Intranet as well as design and develop the e-property management software application by building up an extensive library of proprietary reusable frameworks and application modules developed during the course of customisation project implemented for its customers. The Directors also believe that access to this library will help to reduce the future costs of designing and implementing software and improves the efficiency and quality of customer service.

REVENUE MODEL

Design of Residential Intranet fees

The Group charges its customers a fixed fee for the provision of design of Residential Intranet on a project to project basis. The basis of fee is determined with reference to the number of households. Turnover will be recognised in accordance with the stages of completion of the project. For each of the two years ended 31st March, 2002, the Group's turnover attributed from design of Residential Intranet amounted to approximately \$1,252,000 and \$9,064,830 respectively.

Software application design, development and installation services fees

The Group charges its customers a fixed development fee for the provision of software application design, development and installation services on a project to project basis, which is determined with reference to the number of households the property accommodated. In general, the Group receives deposit of about 20% of total contract value upon the signing of the relevant agreement. The remaining balance is payable by the customer in accordance with the payment schedule stipulated in the agreement. Software application design, development and installation services fees amounted to nil and approximately \$10.4 million, were contributed to the Group's turnover for each of the two years ended 31st March, 2002, respectively.

Commission

The Group intends to act as a broker/agent to procure IT products to its customers and charge a commission at a rate ranging from 5% to 20% as servicing income. The Group will charge a higher percentage of commission for the proprietary items, such as i-Panel. The trading of IT products will come as part of the e-property management system that bundles with the software applications designed by the Group. During the Track Record Period, the trading of IT products has not attributed to the Group's turnover.

The Group does not enter into any agreements with third party hardware vendor for IT products as the Directors are of the view that there are numerous hardware vendors in the market and the Group will be able to procure IT products from different hardware vendors according to its customers' system requirements.

Software maintenance and upgrade

The Group's customers will normally request it to provide software application upgrade, maintenance and content management after the completion of installation of e-property management software application to facilitate the smooth operation of system and provide reliable service platform for the household users. The Group intends to adopt a monthly subscription approach by charging the property management company on the basis of floor area of the apartment installed with its products at a rate of the higher of \$0.70 per sq.m. of gross floor area or \$56 per household per month as system maintenance fee. The Directors consider that the provision of technical support services will ensure a steady cashflow and will provide a promising revenue source for the Group.

During the Track Record Period, the Group's turnover was entirely attributable to the provision of the design of Residential Intranet and e-property management software application design, development and installation services. According to the Directors, the Group's services are designed to cater for the different stages of property development project. The Residential Intranet consulting service is targeted to property development projects at the initial planning and construction stage, whereas the e-property management software application design services are appropriate for the development project approaching its completion. During the Track Record Period, the projects engaged and completed by the Group were largely at the initial planning and construction stage of development, and hence the remaining part of the Group's turnover was contributed from the provision of software application design services. The Directors are of the view that with the on-going development of the Group, the contribution from system maintenance and upgrade fees will gradually become substantial.

PROJECTS COMPLETED

The table set forth below lists out the projects completed by the Group since its establishment to 31st March, 2002:

Date of contract	Date of Completion	Principal location	Project description	Approximate contract sum (\$)	Scope of works
20th December, 1999	10th February, 2000	Shanghai	A typical integrated property development project	120,000	Provision of Residential Intranet consulting services
28th May, 2000	15th January, 2001	Beijing	An integrated property development project with a gross floor area of approximately 100,000 sq.m. comprising 1,200 units	RMB850,000 (approximately \$732,000)	Provision of Residential Intranet design
31st May, 2000	5th January, 2001	Guangzhou	A typical integrated residential and commercial property development project with a gross floor area of approximately 130,000 sq.m.	RMB560,000 (approximately \$310,000)	Provision of Residential Intranet design
6th December, 2000	15th January, 2001	Shenzhen	An integrated property development project with a gross floor area of approximately 30,000 sq.m. comprising 300 units	210,000	Provision of Residential Intranet design
23rd May, 2001	27th August, 2001	Shenzhen	An integrated residential and commercial property development project with a gross floor area of approximately 150,000 sq.m. comprising 1,314 units	424,500	Provision of Residential Intranet design

BUSINESS

Date of contract	Date of Completion	Principal location	Project description	Approximate contract sum (\$)	Scope of works
23rd May, 2001	27th August, 2001	Shenzhen	An integrated residential and commercial property development project with a gross floor area of approximately 150,000 sq.m. comprising 1,314 units	2,641,500	Provision of Residential Intranet design
23rd May, 2001	24th September, 2001	Shenzhen	An integrated residential and commercial property development project with a gross floor area of approximately 150,000 sq.m. comprising 1,314 units	2,264,000	Design and installation of software application – information bulletin board module; – household security management module; and – community’s facility reservation module
20th June, 2001	14th September, 2001	Shenzhen	An integrated residential and commercial property development project with a gross floor area of approximately 69,900 sq.m. comprising 650 units	2,452,000	Provision of Residential Intranet design
5th July, 2001	25th September, 2001	Beijing	An integrated residential and commercial property development project with a gross floor area of approximately 48,216 sq.m. comprising 210 units	1,066,000	Provision of Residential Intranet design
5th July, 2001	25th July, 2001	Beijing	An integrated residential and commercial property development project with a gross floor area of approximately 48,216 sq.m. comprising 210 units	754,000	Master design and preliminary installation of software application – information bulletin board module; – household security management module; and – community’s facility reservation module
5th July, 2001	15th September, 2001	Beijing	An integrated residential and commercial property development project with a gross floor area of approximately 48,216 sq.m. comprising 210 units	170,000	Design and installation of software application – information bulletin board, module; – household security management module; and – community’s facility reservation module

For the above-mentioned projects, the Group had independently entered into 11 contracts with seven different property developers in the PRC, consisting of 北京建國房地產開發有限公司 (“Beijing Jian Quo Property Development Limited”), 北京市巨安房地產發展有限公司 (“Beijing Ju An Property Development Limited”), 深圳市國基房地產開發有限公司 (“Shenzhen Guo Ji Property Development Limited”), 深圳市昱峰投資發展有限公司 (“Shenzhen Yu Feng Investment Limited”), 深圳市東時實業發展有限公司 (“Shenzhen Dong Shi Enterprise Development Limited”), 廣州天倫房地產發展有限公司 (“Guangzhou Tian Lun Property Development Limited”), 上海家園房地產開發有限公司 (“Shanghai Jia Yuan Property Development Limited”).

BUSINESS

Each of the property developers is independent of and not connected with the Directors or the chief executive of the Group, the Initial Management Shareholders and the Controlling Shareholders and their respective associates (as defined in the GEM Listing Rules).

PROJECTS IN PROGRESS

The table set forth below lists out the Group's projects in progress as at the Latest Practicable Date:

Date of contract	Project description	Type	Approximate contract sum (\$)	Approximate percentage of completion as at the Latest Practicable Date ^(Note) (%)	Expected date of completion
15th January, 2002	An integrated property development project located in Shanghai, the PRC with a gross floor area of approximately 80,750 comprising 620 units	Residential Intranet and software application design	2,800,000	81	Third quarter of 2002
15th January, 2002	An integrated residential property development project located in Beijing, the PRC with a gross floor area of approximately 100,000 sq.m. comprising 1,200 units	Software application design	1,800,000	90	Second quarter of 2002
15th January, 2002	An integrated residential property development project located in Beijing, the PRC with a gross floor area of approximately 100,000 sq.m. comprising 1,200 units	Software application design	2,400,000	70	Second quarter of 2002
4th February, 2002	An integrated residential property development project located in Zhuhai, the PRC with a gross floor area of approximately 60,000 sq.m. comprising 560 units	Residential Intranet and software application design	3,780,000	60	Fourth quarter of 2002
7th February, 2002	An integrated residential property development project located in Beijing, the PRC with a gross floor area of approximately 61,000 sq.m. comprising 610 units	Residential Intranet and software application design	3,200,000	58	Third quarter of 2002

Note: The percentage of completion of the projects is determined on the basis of stage of completion of respective projects.

For the above-mentioned projects, the Group had independently entered into five contracts with four different property developers in the PRC, consisting of 北京巨安金潤房地產開發有限公司 ("Beijing Ju An Jin Run Property Development Limited"), 北京正合成房地產開發有限公司 ("Beijing Zheng He Cheng Property Development Limited), 上海家園房地產開發有限公司 ("Shanghai Jia Yuan Property Development Limited"), 珠海市南福房地產開發有限公司 ("Zhuhai Lan Fu Property Development Limited"). Each of the property developers is independent of and not connected with the Directors or the chief executive of the Group, the Initial Management Shareholders and the Controlling Shareholders and their respective associates (as defined in the GEM Listing Rules).

PROJECTS UNDER NEGOTIATION

Recently, the Group has entered into negotiations with several PRC property developers so as to further explore business opportunities in the major cities in the PRC which consist of Beijing, Shanghai and Guangzhou. The Group expects to carry out two residential property development projects located in Shanghai, the PRC totally approximately 1,100 units; three residential property development projects located in Beijing, the PRC totally approximately 2,700 units; and two residential property development projects located in Guangzhou, the PRC totally approximately 58,000 units. The said projects by locations are anticipated to be completed by the end of 2002, by the third quarter of 2003 and by the first quarter of 2004.

STRENGTHS

Experienced management team

The Group is managed by a team of experienced management staff members comprising Ms. YY Wong, Mr. Chow, Mr. Wong and Mr. Wong Yao Wing each with over 10 years of experience in their respective fields of property management, building management and information technology. The Directors consider that the Group's management team possesses extensive local knowledge and expertise in executing e-property management system in the PRC and has the ability to offer a comprehensive range of quality and tailor-made services to household users and property management companies and is well positioned to implement and execute its business plans.

Established position in the PRC property market

The Directors believe that the Group has focused on e-property management system in the PRC, particularly in the major cities such as Beijing, Shanghai, Guangzhou and Shenzhen, and thus the Group is well positioned to capture a substantial market share in the PRC.

Ability to maintain its competitive edge

The Directors consider that the Group has been working closely with its technological partners including Sun Microsystems of California Limited and National Semiconductor Hong Kong Limited with an objective of improving the technological features of its existing products on the one hand and focusing on continuous application development and enhancement on the other hand. The Directors believe that such partnerships will enable the Group to gain access to the latest technologies and also keep abreast of market trends.

Market Potential

The Directors believe that the Group enjoys the first move advantage and has capitalised on its early entry into major cities in the PRC such as Beijing, Guangzhou, Shanghai and Shenzhen with high development potential. The Directors are confident that the future development of the PRC property market will be strengthened by the anticipated increase in entrepreneurial activities due to the PRC's entry in the WTO and increasing living standard. The Directors therefore believe that the Group's services will become widely adopted by various property developers in the PRC, and are confident that the PRC property market will provide promising expansion opportunities for the Group's business.

In addition, given the Group's strategically established business relationship with four property developers located principally in major cities in the PRC including Beijing, Guangzhou, Shanghai and Shenzhen, the Directors are of the view that there is an ample market potential for the development of the Group's business in the PRC.

REGULATIONS RELATING TO BUSINESS OF THE GROUP

Regulations relating to intelligence buildings

Pursuant to the "Interim Regulations of System Design and Construction of Intelligence Building and Administration of Qualifications of System Integration"《建築智慧化系統工程設計和系統集成專項資質管理暫行辦法》issued by the Ministry of Construction (中國建設部), PRC entities engaged in the business of intelligence building system design and engineering, system integration in the PRC are required to obtain a professional qualification certificate, which can be classified into three categories with reference to services provided, namely system design and engineering, system integration and subsystem integration.

In addition, overseas entities (including Hong Kong, Macau and Taiwan) which are engaged in system design shall not by itself engage in intelligence building system design and engineering, and system integration business in the PRC and they are required to carry out such activities jointly with the PRC entities which possess the relevant professional qualification certificates, and are required to obtain approvals from the local authorities of Foreign Trade and Economic Cooperation (外經貿部) and the Ministry of Construction (中國建設部). However, regarding services which consist of provision of Residential Intranet design, software development (hereinafter referred to as "scheme design and development services"), no approval or filing procedures are required for such services.

According to the contracts and agreements entered into by the Group, services principally provided by the Group to various PRC property developers are scheme design and development services, software installations, testing, maintenance, upgrades and renovations (hereinafter referred to as "after-sales services") (collectively the "Services"). The Services do not include engineering design of intelligence building systems or system integration business as mentioned above. Since software are installed in customers' servers, such intranet systems are not the same as the networks as referred to in the "(Interim) Regulations Regarding System Integration of Information In Telecommunications"《計算機資訊系統集成資質管理辦法(試行)》, namely, the Internet and leased lines for the delivery of information or multimedia services jointly provided with the telecommunications departments. Therefore, the Group is not engaged in telecommunication system integration business in the PRC and the Group is not required to obtain any professional qualification certificates or make any filing under the "(Interim) Regulations Regarding System Integration of Information In Telecommunications"《計算機資訊系統集成資質管理辦法(試行)》.

Regulations relating to the management of software products

Pursuant to Sections 2 and 8 of the "Administration of Software Regulations (Notice No. 5 of 信息產業部)"《軟體產品管理辦法(信息產業部令第5號)》issued by the Ministry of Information Industry (中國信息產業部), entities engaged in the operation and sales of software in the PRC are required to register and make filing with the Ministry of Information Industry of the PRC or National Copyright Administration of China (中國國家版權局), unless such software is developed by the entity for its own use or is developed by a third party on its behalf for its use and such use is for non-commercial purposes. In general, regarding software which is not for mass sales, no registration or filing is required .

Sales of software is by means of licensing. Since software programming and development services are carried out by the Group in Hong Kong on behalf of its customers in the PRC, all rights and ownership of the products of the software programming and development belong to the PRC parties under the relevant contracts. As the Group provides relevant software programming and development consulting services in Hong Kong, notwithstanding the fact that the Group provides software installation, testing, maintenance and upgrading services in the PRC, the laws, regulations and rules which govern the import of technologies and equipments into the PRC are not applicable to such contracts. The Group shall only be subject to the principle of self regulation of technology services under the “Contract Law” “合同法”. Accordingly, no registration with the local authority of Foreign Trade and Economic Cooperation is required, and the contracts are legally enforceable by both parties.

Since the software developed by the Group is used by individual entities, and is not for the purpose of mass sales in the market, no registration or filing with the Provisional Ministry of Information (省級信息產業部門) is required.

Furthermore, such software is developed by the Group on behalf of its customers in the PRC who are the end-users, under Section 341 of the “Contract Law”《合同法》, the entities which engage the Group to develop such software have the rights to use such software and such contracts do not require registration or filing with the National Copyright Administration of China (中國國家版權局).

Regulations relating to the import of technologies

Pursuant to the “Foreign Trade Law”《中華人民共和國對外貿易法》(“Foreign Trade Law”) and other relevant regulations, the State Council (國務院) has formulated the “Regulations Governing Import and Export of Technologies”《技術進出口管理條例》, and the Ministry of Foreign Trade and Economic Cooperation (外經貿部) has accordingly established “Interim Trade Regulations Governing Import of Technologies and Equipment”《技術引進和設備進口貿易管理暫行辦法》.

Pursuant to the above regulations, importers of technologies are required to make application to the Ministry of Foreign Trade and Economic Cooperation (外經貿部) for a provisional approval to import the technologies. After obtaining such provisional approval, importers may then enter into technology import contracts. Importers may apply for a technology import licence with a copy of the technology import contract and relevant approvals. The relevant technology import contracts shall take effect on the date when the technology import licence is issued.

The above regulation is applicable to entities which have ownership of the technologies and equipment. Since the scheme design and development services and after-sales services provided by the Group are in the nature of technology consultancy and services and the rights to the products of the software programming and development are vested in the PRC parties which engage the Group to provide the Services, the “Regulations Governing Import and Export of Technologies”《技術進出口管理條例》and “Interim Trade Regulations Governing Import of Technologies and Equipment”《技術引進和設備進口貿易管理暫行辦法》therefore are not applicable to such Services. The relevant contracts shall be subject to the principle of self regulation of the relevant technology services under the “Contract Law”《合同法》and no approval or registration with the authorities will be required .

Approvals required for the provision of services in the PRC

The Group provides the aforementioned Residential Intranet design and e-property management software application consulting services in Hong Kong to property developers in the PRC, and after-sales services are part of the obligations under the same contracts of the above-mentioned Residential Intranet design and e-property management software application consulting services. Moreover, the Group has not established any entity or representative office in the PRC. The Group performs the contractual obligations under a legally valid contract rather than through any business entity in the PRC. Accordingly, such Residential Intranet design, e-property management software application consulting services and after-sales services including on-site supporting and troubleshooting do not constitute carrying out of business in the PRC by the Group. The Group is not required to obtain any licence or qualification certificate from the Construction Department (建設部門), and is not subject to the approval or registration requirement of the Ministry of Foreign Trade and Economic Cooperation (外經貿部), the State Administration of Industry and Commerce (工商行政管理部門) and/or other governmental bodies.

The Protocol on the Accession of the PRC (中國入世議定書)(the “Protocol”) was officially executed in November 2001. According to the Schedule to the Protocol, in relation to the technology services and trading of services, the Chinese government has covenanted that foreign institutions are not subject to any market entry restrictions so far as cross-border trading of technology services and manpower services are concerned. In addition, scheme design, non-architectural and related engineering services, computer management and engineering services, including the Services, are not subject to any market entry restrictions.

OPERATIONS OF THE GROUP

The Group focuses on the provision of Residential Intranet design and software application consulting services to the PRC property developers for the development of e-property management system projects in the PRC. The table set out below illustrates the principal activities of the Group carried on in Hong Kong and the PRC respectively.

BUSINESS

Hong Kong

Residential Intranet design

- review clients' requirements;
- requirement analysis; and
- deliver a consultancy report consists detail specifications of network infrastructure, a list of recommended hardware vendor and/ or system integrators.

E-property management software development

- customise software design in accordance with clients' requirement;
- requirement analysis;
- system design;
- software development; and
- internal test.

E-property management software maintenance and upgrade

- maintenance of system and database;
- software upgrade and enhancement; and
- web-based backup and recovery consultancy.

PRC

Residential Intranet design

- occasional on-site visits.

E-property management software development

- installation;
- user test; and
- short term on-site training.

E-property management software maintenance and upgrade

- installation;
- user test; and
- short term on-site training.

The Group has a total of 13 full-time staff in Hong Kong, and three of them are responsible for the function of the Residential Intranet design and software application consulting services. The Group provides the said design and consulting services, such as clients' requirement analysis, drafting report, software design and development, upgrade and enhancement, principally in Hong Kong. Notwithstanding the Group may be required to send its staff to the PRC to provide technical support services such as installation, testing and short term training, the PRC legal advisers are of the opinion that such activities do not constitute carrying on business in the PRC. As advised by the PRC legal advisers (i) no registration for the contract entered by the Group is required to be made to with the Administration Bureau for Industry and Commerce; (ii) the software designed and developed by the Group is not required to be reported to the ministry of information technology department; (iii) permit is not required to be obtained from the relevant telecommunications regulatory authority; and (iv) no other business licences are required to apply in the PRC. Regarding taxation in the PRC, revenue derived from the PRC of overseas entities (which do not have presence in the PRC) is subject to PRC taxes including business tax, foreign enterprise income tax and stamp duty which are payable by the PRC counterparts in the subject transaction. The PRC counterparts are obligated to withhold such tax payable from the relevant payment made to the overseas entities.

BUSINESS

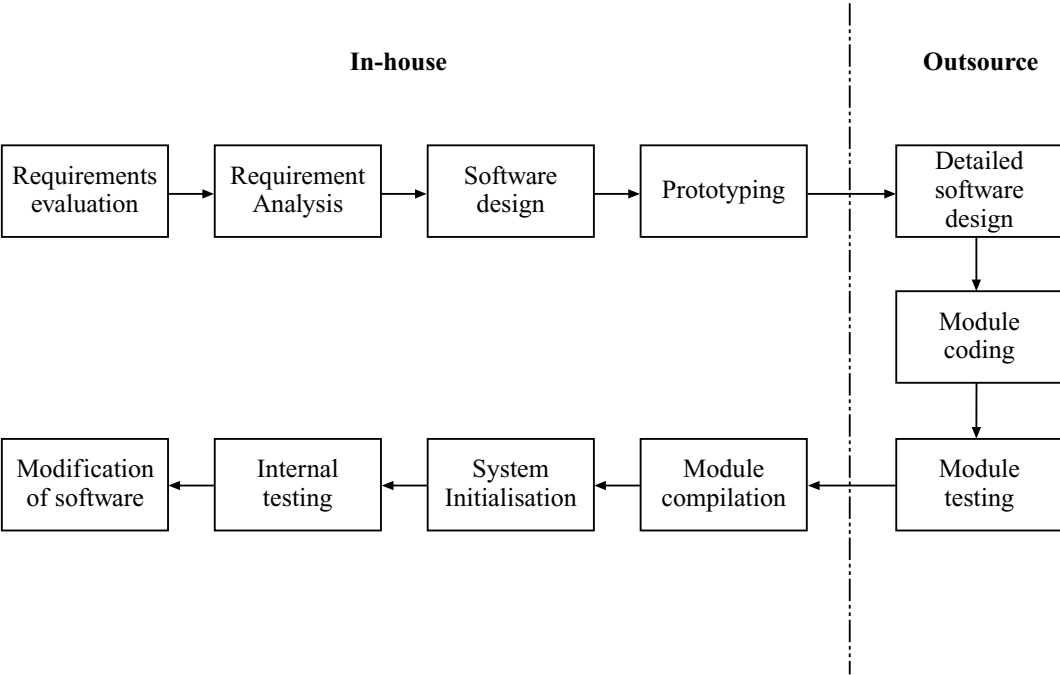
Being an overseas company which does not have a permanent establishment in the PRC and provides Residential Intranet design and software application design, development and installation services to the PRC counterparts, revenue of the Group during the Track Record Period is not subject to PRC taxes including foreign enterprise income tax, business tax and stamp duty.

Software design and development

Since the inception of the Group in August 1999, it has been the strategy of the Group to place full attention on its e-property management software application design. In relation to the research and development, the Directors believe that it is more cost and time effective to appoint third parties holding extensive technology know-how in the Group’s business related field to conduct the research and development assignments on behalf of the Group.

The Group will continue to upgrade both back-end and front-end software applications, thus enabling it to create and offer advanced and tailor-made Residential Intranet embedded with e-property management software applications to its customers.

The following diagram illustrates the general stages involved in the provision of e-property management software application design and development services by the Group and an independent software vendor to its customers:



- *Evaluation of client’s requirement*

The Group will recognise and review its client’s requirements in relation to the functions and specifications of the e-property management software application. The client will usually provide a detailed list of proposed functions and specifications of the required software application.

- *Analysis of client's requirements*

Taking into consideration the list of proposed functions and specifications provided by the client, the Group will conduct a comprehensive analysis of the client's requirements and an in-depth examination of its client's existing IT infrastructure within the given residential community.

- *Software design*

On the basis of the conclusion of the analysis of the client's software application requirements and existing IT infrastructure, the Group will design and provide an outline of the software embedded with required functions and specifications.

- *Prototyping*

The Group will only provide a prototype of its e-property management software application to its client when necessary.

- *Detailed design of software application*

On the basis of the outline of the required software embedded with required functions and specifications for the client, an independent software vendor appointed by the Group for software development purposes will design and provide a detailed software application design including process design, data structure design, object and function design and report design.

- *Module coding*

The independent software vendor will perform and complete the coding of the software with reference to the programming specifications.

- *Module testing*

The independent software vendor will conduct a series of tests against the software to ensure that the software application is applicable and operated according to the requirements of the Group's clients and are compatible with the hardware recommended by the Group. Subsequently, such independent software vendor will provide a detailed report on the performance of the module testing to the Group.

- *Module compilation*

Upon receiving the modules delivered by the independent software vendor, the Group will integrate the modules in accordance with the features and functional requirements of its clients. During this stage of processing, the Group will compile the interoperability amongst modules in order to ensure the compatibility of the system.

- *System initialisation*

A set of control data and model data will be input into the database so as to customise and initialise the system.

- *Internal testing*

Despite the tests performed by the independent software vendor in the earlier stage, the Group will also conduct another sequence of tests against the software developed by such independent software vendor based on its software design so as to reassure the software application is functional and fulfills its client's requirements.

- *Modification of software*

If there are changes in client's requirements, the Group will provide appropriate software modification or upgrade services to the existing software application of its client.

The e-property software of the Group will be typically applicable to any residential communities and compatible with various database systems. Consequently, despite the fact that the Group developed the software modules according to its clients' requirements and specifications on a case by case basis, it will be able to modify and customise such modules so as to cater for the needs of different property developers for each of its future projects. The Group has established and maintained a library of software modules of its e-property management software application. The Directors believe that the Group has gained benefits from such software library by effectively shortening the time and reducing the cost required for product design and development.

The Group entered into a cooperative agreement with a software vendor namely Great Asia on 27th July, 2001 whereby such software vendor agreed to develop various software application modules for the e-property management system. During the Track Record Period, the Group however did not assign all software development activities to Great Asia. The Group was responsible for evaluating and analysing user's requirements, defining software application specification, designing software according to the required functions and specifications and building prototype in the software development, while Great Asia was assigned with the detailed software specification, module coding and module testing in such software development. As advised by the Directors, Great Asia has completed the development of an e-property management software template integrated with various fundamental application modules in accordance with the required schedule and is currently undertaking the remaining obligations under the said contract. The source code and other rights attached to the software developed by such software vendor are owned by the Group.

In view of further enhancing the features of its existing e-property management software application, the Group entered into a software development agreement with another software vendor namely Shanghai Yuan Zhan on 21st January, 2002. Pursuant to such agreement, Shanghai Yuan Zhan agreed to develop a video-on-demand server and its associated back-end management software application modules incorporated with principal functions comprising system safety facility, administrator account management, client account management, billing management and video content management for the Group. Shanghai Yuan Zhan is now in progress of executing its obligation under the agreement as aforesaid. All rights and ownership of the products of such software development belong to the Group.

In the future, if the circumstances shall require the Group to retain a software vendor, there will be various software vendors for the Group to choose from. The Directors therefore consider that the Group's software development activities do not rely on either Great Asia nor Shanghai Yuan Zhan and also do not foresee that the Group would encounter any difficulty in the development of its software in the event that the existing contracted software vendor terminated the collaboration agreements.

The Group's e-property management software application normally requires certain customisation when they are implemented for different clients. The customisation of the Group's e-property management software application is now being handled by a team, consisting of a chief technology officer and a project design officer of the Group, which possesses the capacity to make essential modification and configuration to the e-property management software template jointly designed and developed by the Group and Great Asia in accordance with the specific requirements of each of the Group's clients. Such customisation forms part of the paid service the Group provides to enhance the e-property management software template as a tailor-made e-property management software solution.

Given the new design and features required by the Group based on the market demand, where appropriate, new software applications will be developed and installed in the existing e-property management system. For the development of new e-property management software applications, the Group may co-operate with its software collaborator. The Group designs and develops the e-property management software according to its conceptual product design while at the same time catering for client's specifications, and in return the software collaborator would provide its relevant software expertise to assist in the specific e-property management software development. The intellectual property rights of any e-property management software successfully developed under such collaboration belong to the Group.

The Group's e-property management software was and will be developed in two phases. The phase one and the phase two of the software development had been and/or will be concentrated on the front-end interactive communication part of the system and the development of the back office system respectively. Each e-property management software is integrated with certain major features and functions.

Since the source code and the software rights of the e-property management software legally belong to the Group, the Group is able to engage in business partnership with any software developers. Given such arrangement, the Directors believe that the Group will not encounter any problems in assigning any other appropriate suppliers and/or any disruption adversely affecting its operations or development plans in the case where the software vendor currently used by the Group ceases to act as its supplier in the future.

Hardware

Apart from focusing on the design and development of its e-property management software application, the Group has also placed significant amount of resources on the system's hardware design and development. Pursuant to a non-legally binding and non-exclusive memorandum of understanding entered into between the Group and a US hardware manufacturer namely MainStreet Networks, Inc. on 29th August, 2000, the Group was granted a right to present the terminal device regarded as its i-Panel version 1.0 and on-premise Internet gateway on behalf of the hardware manufacturer to its potential clients. However, due to the technical fallout on the i-Panel version 1.0, the co-operation contemplated under the said memorandum of understanding was terminated subsequently and there is no business relationship maintained with this company.

Leveraging on its efforts in the study on the specifications and architecture of high-end microprocessor based i-Panel, the Group designed and developed its first i-Panel namely i-Panel version 2.0 in collaboration with an independent local hardware designer, Informtech International Limited. In October 2001, the Group completed the development of related firmware and launched its i-Panel version 2.0. The Group's i-Panel version 2.0, which is integrated with a user-friendly and flat touch LCD screen and an attached keyboard, is compatible with its e-property management software.

BUSINESS

In order to create a relatively user-friendly communication environment for each household user to gain access to on-line information and services, as well as to facilitate communications among users and property management provider within a community, the Group further enhanced its i-Panel version 2.0 by incorporating additional features including video door phone, Intranet client, wireless home security, video-on-demand, speaker phone and TV interface. The Group finalised the specification of its i-Panel version 3.0 with Informtech International Limited and completed the preliminary design and development of the related functions in May 2002. The Group is currently collaborating with Informtech International Limited to finalise the outlook of its i-Panel version 3.0. The Directors confirm that none of the Directors, the chief executive officer of the Company, the Substantial Shareholders, the Significant Shareholders and the Initial Management Shareholders and their respective associates has any interests in such local hardware designer.

For the two years ended 31st March, 2002, the Group's research and development expenses amounted to \$1,347,000 and \$240,000 respectively, representing approximately 107.6% and 1.2% of its total turnover respectively for the same period.

The Directors are of the view that there are numerous similar hardware designers in Hong Kong, therefore the Group will not encounter any problems in assigning any other appropriate hardware designers and/or any disruption adversely affecting its operations or development plans in the case where the Group's existing hardware designer ceases to collaborate with the Group to design and develop the i-Panel in the future.

MAJOR CUSTOMERS

Notwithstanding the limited history of its operation, the Group had nine different customers all of whom are property developers with principal operations in the PRC.

The Group had been doing business with three customers for the year ended 31st March, 2001, with the largest customer namely 北京市巨安房地產發展有限公司 ("Beijing Ju An Property Development Limited") accounted for approximately 58.5% of the Group's turnover for the respective period. The Group had established approximately one year business relationship with its largest customer.

For the year ended 31st March, 2002, the Group's five largest customers accounted for approximately 80.3% of the Group's turnover for the respective period. The largest customer namely 深圳市國基房地產開發有限公司 ("Shenzhen Guo Ji Property Development Limited") accounted for approximately 27.4% of the Group's turnover for the respective period. The Group has established business relationships with its five largest customers for approximately one year.

Save as disclosed, as at the Latest Practicable Date, none of the Directors, their respective associates (as defined in the GEM Listing Rules) nor any shareholder of the Company (who or which to the knowledge of the Directors owned more than 5% of the issued share capital of the Company) had any interests in any of the largest customers of the Group for the two years ended 31st March, 2002.

SALES AND MARKETING

In relation to its business operation, the Group's sales and marketing efforts have been focusing on the PRC based customers. The Group's sales and marketing team comprises three senior management members and two executives who are responsible for promoting the Group's services and products. They hold regular visits to property developers so as to strengthen their relationship with the Group and keep abreast of market trends.

On 15th November, 1999, the Group appointed an independent market research agent namely Shanghai Yi Long Trading & Development Limited (“上海一龍貿易發展有限公司”) in Shanghai, the PRC to conduct market research on its Smart Home concept in relation to the Shanghai property management and property development markets so as to further expand its business in the PRC.

With a view to enhancing its public recognition and business connections in the PRC, since October 1999, the Group has regularly promoted and marketed its Residential Intranet embedded with e-property management software application and/or Smart Home concept targeting at the PRC property management market by participating in and/or organising seminars and exhibitions in the PRC and/or Hong Kong. On 25th September, 2000, the Group jointly organised its first seminar in Shanghai, the PRC with the Science and Technology Commission of Shanghai Municipality to promote its service in the PRC.

With the aim of further promoting its service, the Group participated in two exhibitions respectively held in Beijing, the PRC for the period from 14th November, 2000 to 15th November, 2000 and in Shanghai, the PRC for the period from 15th December, 2000 to 17th December, 2000. The former was a product promotional exhibition organised by Sybase Inc., whereas the latter was The First Shanghai International Internet Websites Promotion Exhibition organised by Shanghai Information Services Department to promote broadband access and the concept of network home.

In addition, on 24th April, 2001, the Group organised a corporate lunch presentation in Hong Kong namely The Future Standard of Living in the PRC to introduce its Smart Home concept and promote its products and services with the objective of further expanding its market share in the PRC.

The Directors believe that the Group has already established its brand recognition in the PRC property and property management sectors. To maintain its competitive strengths and keep up with the market demands, the Group will keep on pursuing its existing marketing strategies. With the introduction of the Group's Residential Intranet embedded with e-property management software application in the PRC, the Directors believe that the Group is well positioned to broaden its product range to other Internet-based/IT-based solutions and services and to extend its market penetration to other regions and countries in Asia, in particular Hong Kong.

For each of the two years ended 31st March, 2002, 100% of the Group's turnover was settled by open account. The Group usually grants a credit period of approximately 60 days to 90 days to its customers.

The Group exercises strict credit controls policies, and has not experienced any significant level of bad debts. During the Track Record Period, there was no provision for bad and doubtful debts.

COMPETITION

At the business unit and product level, the Group primarily faces two types of competitors including network builders and ISPs in the PRC. The Directors, however, believe that the Group has competitive edge over its principal competitors. To tackle such threats, the Group will work closely with network builders, and forms strategic partnerships with ISPs in the PRC to jointly provide the broadband pipeline to individual households. As a result, the Group will be able to strengthen its market competitiveness and in turn maintain its market position.

Given the nature of the Group's e-property management services, the Directors are not aware of any major competitors offering similar services in the Asia Pacific region.

The Directors are of the view that the Group is well positioned to capture the growing demand for the Group's products and services in the PRC and its principal competitive edges over its competitors are as follows:

- the professional knowledge and extensive experience of the Directors and the Group's senior management in the property management industry and information technology market;
- precise project planning and implementation; and
- its close working relationships with technological partners, enabling it to gain access to the latest technologies and also keep abreast of market trends.

INTELLECTUAL PROPERTY

The Group has acquired certain domain names, details of which are set out in the paragraph headed "Intellectual property" under the section headed "Further information about the business" in Appendix IV to this prospectus.

STATEMENT OF BUSINESS OBJECTIVES

BUSINESS OBJECTIVES AND STRATEGIES

Vision

The Directors believe that the quality of life is the quality of communication and people especially in the PRC are longing to have access to this quality of communication, who want to access the right information in the right time and eager to communicate with others in a more interactive way. As such, the Directors believe that the traditional property management system needs to evolve with cyber age. The Company conducts e-property management software application which adds the value of interactive communication to the current property management system. The Group intends to commit to providing better person to person and person to community communications with an aim to create a win-win situation to both property developers and the household users.

Moreover, the Directors believe that the e-commerce industry will mature in 2003, as such the Group will establish itself through its Residential Intranet embedded with e-property management software application to serve as a platform for e-commerce and other value added e-services.

The Directors consider that the property market in the PRC, at present, is fragmented and no dominant property developers emerged to dictate the market. In addition, the Directors are of the view that the provision of property management services in the PRC had only evolved in recent years, as such, the Directors envisage that the Group should focus on exploring the business opportunities in the PRC rather than in a highly developed Hong Kong market.

The vision of the Company is to institute e-property management software application as a new standard and vehicle to provide quality life in the PRC.

Objective

The objective of the Group is to facilitate property developers to establish a comprehensive cyber village which provides them with various emerging applications and evolving technologies. The Group intends to achieve an objective of becoming one of the active e-property management software application providers in the PRC by exploiting the advanced information technology through the implementation of several strategies. Details of such strategies are set out under the subsection headed “Business strategy” in this section of the prospectus.

Given the use of broadband network infrastructure, intelligent service gateway, easy to use terminal device together with the professional experience from business partners, the Directors believe that the Group will be able to provide its clients with a tailor-made e-property management software application and create the standard of future Smart Homes.

Overall strategy

Critical mass

The Directors believe that, in the past, intelligent buildings have been limited to commercial sectors only. However, a recent trend reflects an increased use of broadband network in both commercial and residential sectors.

STATEMENT OF BUSINESS OBJECTIVES

The Directors believe that no matter how sophisticated the technology or how big the market share is, it will not be cost effective and will not have a significant impact in the market if the total target is small. Thus the objective of the Group is to penetrate the mass market. The Directors believe that it is only when the Group can access to the critical mass, it can create a new standard. In order to address the mass market, the Directors believe that the Group needs to access those who are not computer experts. In order to serve this market, the e-property management software application must be simple and easy to use and household users can conveniently use the e-property management software application without special training which will be as simple as using the television.

End to end solution – access and devices

The Directors consider that although property developers, especially those engaged in new projects, are installing broadband network into their buildings, most developers however will stop at providing the ‘plug’ to the households. The household users who want to gain access to the Internet have to subscribe to an Internet service provider, buy a computer to plug into the network, and such users must possess a minimum level of computer literacy.

The Directors comprehend the need to go beyond providing access to the household users. The Group will provide an end-to-end solution to each individual household that includes **Access, Devices and Services**. By providing devices – the gateway and the i-Panel terminal, the household users will immediately start using the service once they move into the apartment.

End to end solution – services

The Directors believe that even though the household users have the devices installed, it does not mean that they will use the device if there is no service available. Thus, the Group has developed e-property management software application that is integrated with service upgrade features to cater the needs of the household users in their daily lives, allowing each household to interact directly with the property management office and other service providers within the community and personalised information to each individual household.

Target customer – property developers as channel partners

The mission of the Group is to build, connect, and serve over 250,000 household units by March 2005. The Group’s strategy is to target the property developers as customer acting as channel partners rather than individual household users. The Directors consider that the ideal target customers will be developers of new property development with over 1,000 units residential complex. The household users will experience a brand new lifestyle by using services provided through e-property management software application and the property management company will receive the recurring upgrade and maintenance fee income from the household users.

e-property management increase the value of property

The Directors believe that, in the PRC, there is not yet any e-property management service company that can provide sufficient expertise and practical experience to the market on the basis that most computer companies and network solution providers within the PRC property sector are generally focusing on the hardware and broad band network and paying little attention to software application of the e-property management system. The Directors consider that most computer companies after making the initial system installation, due to limitations in the nature of their business, cannot provide long-term services to the management of these small cyber villages.

STATEMENT OF BUSINESS OBJECTIVES

Because of the great demand in this market gap, the provision of e-property management software application will be the key service of the Group.

From buy side to sell side

The Directors expect that once the Group gains access to this “buy side,” the Group will work with other service providers to provide other value added services in order to utilise the extensive network installed by its clients as an integrated platform to conduct e-commerce businesses. The Directors also intend to engage an environmentally friendly household product distributor to promote and market such products to household users of the Group’s e-property management software application.

Business strategy

In order to capture this potential business opportunity, the Directors have formulated the following strategies for the Group to capitalise on the enormous market potential of property management automation opportunities throughout the PRC:

Promoting Smart Home concept

The Directors consider that, as intelligent network and related applications are still at a preliminary stage of development, the Group will pursue to disseminate the benefits and advantages of Smart Home concept to both property developers and the public.

Enlarging the Group’s clientele

While maintaining the relationships with its existing clients, the Group will also develop new business opportunities with other property developers to broaden its coverage in other major cities in the PRC.

Enhancing and expanding the functionality of the Group’s existing e-property management software application and i-Panel

With a view of satisfying the ever-changing requirements of its customers, the Group will continue to enhance and expand the functionality of its existing e-property management software application by accommodating a wide range of e-commerce applications. The Group will also upgrade its existing ERP application software for property management companies to automate and integrate their back-end operations in a reliable and efficient manner. Besides, new versions of i-Panel will be designed and released to equip with advanced and user-friendly interactive features.

Upgrading infrastructure

In order to manage the connectivity of the Residential Intranet, the Group will continuously acquire additional server and computers to upgrade its data operating centre in Hong Kong.

STATEMENT OF BUSINESS OBJECTIVES

Establishing alliances and partnerships

In order to dedicate itself to enhancing and improving the design of its Residential Intranet as well as the design and development of its e-property management software application, the Group will appoint local partners in the PRC as agents to implement the function of network installation and hardware manufacturing.

BUSINESS PLANS

The Company will seek the following milestone events from the Latest Practicable Date to 31st March, 2005. Investors should note that the following milestone events and their respective scheduled times to accomplish are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions of the business plans” below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set out in the section headed “Risk factors” of this prospectus. The Group’s actual course of business may vary from the business objectives set out in this prospectus.

For the period from the Latest Practicable Date to 30th September, 2002

Data operating centre

Funds required

during the period

Actions to be taken

\$1.00 million

- identify a data centre in Hong Kong to relocate the Group’s servers and network equipment; and
- upgrade the Group’s existing servers and related facilities to meet with increasing demand on data flow as more projects are expected to be completed.

i-Panel design and prototyping

Funds required

during the period

Actions to be taken

\$1.00 million

- complete the design and modification of i-Panel version 3.0;
- engage a designer to design the outlook of i-Panel version 3.0;
- contract a manufacturer to prototype i-Panel version 3.0; and
- commence to manufacture and launch version 3.0 for i-Panel.

STATEMENT OF BUSINESS OBJECTIVES

Research and development and software development

Funds required
during the period

Actions to be taken

\$2.00 million

- identify appropriate software vendor to collaborate the development of e-property management software application;
- identify suitable hardware and network equipment compatible with the Group's e-property management software;
- identify and engage PRC technical partners to outsource software installation works;
- identify and establish business association with other service or information providers; and
- commence to conduct research and development on the application of existing skillset, technical know-how and products in other emerging markets.

Sales and marketing

Funds required
during the period

Actions to be taken

\$1.20 million

- commence to identify and seek strategic partnership with telecommunication companies and cable TV operators in the PRC;
- engage a third party to promote and market its environmentally friendly household products through its customers' Residential Intranet;
- target small-scale property developers to market the Group's products;
- continue to promote and educate the public and target customers of the Group about Smart Home concept;
- organise one symposium in the PRC to promote the Group's awareness with a prime focus in Shanghai;
- expected to serve 30,000 household units in the PRC; and
- explore different market opportunities in the application of existing skillset, technical know-how and products.

STATEMENT OF BUSINESS OBJECTIVES

Resources deployment

Funds required
during the period

Actions to be taken

\$0.50 million

- recruit two system engineers dedicated to the development of e-property management software;
- recruit one staff member dedicated to the sales and marketing activities to promote the Group's e-property management software application; and
- recruit one staff member dedicated to the finance and administration of the Group's overall business.

For the period from 1st October, 2002 to 31st March, 2003

Data operating centre

Funds required
during the period

Actions to be taken

\$1.00 million

- purchase computers, network equipment and servers to support additional LDOC installed at the customers' sites and premises;
- schedule to acquire additional hardware to be installed at the Group's new head office so as to provide remote maintenance and upgrade services to the customers; and
- hire additional leased line.

i-Panel design and prototyping

Funds required
during the period

Actions to be taken

\$1.00 million

- commence to design version 4.0 for i-Panel that will be integrated with additional features supporting wireless LAN, personal digital assistant connection, unified messaging system and remote video monitoring;
- refine the outlook design of i-Panel; and
- commence to manufacture version 4.0 for i-Panel.

STATEMENT OF BUSINESS OBJECTIVES

Research and development and software development

Funds required
during the period

Actions to be taken

\$2.20 million

- subcontract the Group's software development activities of the e-property management system to software developers;
- schedule to launch enhanced version for ERP application module;
- commence in-house design on e-commerce transaction enabling application module;
- continue to identify suitable hardware and network equipment compatible with the Group's e-property management software;
- enhance the software capabilities in home security; and
- continue to conduct research and development on application of existing skillset, technical know-how and products on other emerging markets.

Sales and marketing

Funds required
during the period

Actions to be taken

\$1.20 million

- continue to seek for suitable services and information providers to enrich the content of the customers' Residential Intranet;
- conduct market promotion and campaign to the target customers on the benefits of using the Group's e-property management software application;
- continue to organise one symposium or promotional event in other major cities in the PRC;
- expected to serve an addition of 30,000 household units in the PRC; and
- explore different market opportunities in the application of existing skillset and technical know-how.

Office relocation

Funds required
during the period

Actions to be taken

\$1.00 million

- relocate the Group's head office to accommodate increasing number of staff and equipment.

STATEMENT OF BUSINESS OBJECTIVES

For the period from 1st April, 2003 to 30th September, 2003

Data operating centre

Funds required
during the period

Actions to be taken

\$0.50 million

- lease additional rack space of approximately 18 sq.ft. from data centre in Hong Kong to locate the Group's equipment;
- continue to upgrade and purchase additional networking equipment, servers, data storage and back-up devices and server software licenses; and
- pay for the hardware and software maintenance and supporting fee.

i-Panel design and prototyping

Funds required
during the period

Actions to be taken

\$0.50 million

- continue to enhance the design of version 4.0 for i-Panel.

Research and development and software development

Funds required
during the period

Actions to be taken

\$1.00 million

- schedule to launch e-commerce application module;
- continue to upgrade ERP application module;
- continue to seek hardware and network equipment compatible with the Group's e-property management software;
- continue to establish business association with other service or information providers; and
- modify and enhance the existing applications and products to meet the need of other identified markets.

STATEMENT OF BUSINESS OBJECTIVES

Sales and marketing

Funds required
during the period

Actions to be taken

\$1.10 million

- continue to seek for suitable information providers to enrich the content of the customers' Residential Intranet;
- identify business partners to promote their services and products through the Residential Intranet;
- focus on the marketing of e-commerce enabling feature of the Group's e-property management software application;
- continue to organise one symposium or promotional event in other major cities in the PRC;
- expected to serve an addition of 40,000 household units in the PRC; and
- continue to explore different market opportunities in the application of the existing skillset, technical know-how and products.

For the period from 1st October, 2003 to 31st March, 2004

Data operating centre

Funds required
during the period

Actions to be taken

\$0.50 million

- lease additional rack space of approximately 18 sq.ft. from data centre in Hong Kong to locate the Group's equipment;
- continue to upgrade and purchase additional networking equipment, servers, data storage and back-up devices and server software licenses; and
- pay for the hardware and software maintenance and supporting fee.

i-Panel design and prototyping

Funds required
during the period

Actions to be taken

\$0.50 million

- continue to design the latest version for i-Panel with additional features;
- enhance the additional features for the i-Panel version 4.0; and
- commence to design version 5.0 i-Panel which support to be used in public area within the property complex.

STATEMENT OF BUSINESS OBJECTIVES

Research and development and software development

Funds required
during the period

Actions to be taken

\$0.50 million

- revise and upgrade e-commerce and ERP application module to meet the identified markets;
- identify business partners to promote their services and products through the e-property management software; and
- continue to seek suitable hardware and network equipment compatible with the Group's e-property management software.

Sales and marketing

Funds required
during the period

Actions to be taken

\$1.00 million

- continue to seek for suitable information providers to enriching the content of the customers' Residential Intranet;
- continue to conduct market promotion and campaign to promote the Group's business;
- continue to organise one symposium or promotional events in other major cities in the PRC;
- expected to serve an addition of 40,000 household units in the PRC; and
- formulate marketing strategy to promote the technical know-how and products to other identified markets.

For the period from 1st April, 2004 to 30th September, 2004

Sales and marketing

Funds required
during the period

Actions to be taken

\$0.50 million

- commence to identify and seek for suitable information providers to enrich the content of the customers' Residential Intranet in other major cities in the PRC;
- conduct marketing promotion and campaign to promote the Group's business in other major cities in the PRC;
- continue to organise one symposium or promotional event in other major cities in the PRC; and
- organise marketing activities to promote the products and technical know-how to other markets.

STATEMENT OF BUSINESS OBJECTIVES

BASES AND KEY ASSUMPTIONS OF THE BUSINESS PLANS

Potential investors should note that the attainability of the Group's business objectives is dependent on the validity of a number of assumptions. In particular:

- there will be a continuous growth in the information technology and property markets in the PRC. In addition, there will be no material changes in the development of networking technology and the competition within the networking industry;
- there will be no material changes in the existing political, legal, fiscal, foreign trade or economic conditions in Hong Kong or other countries in which the Group operates or intends to operate;
- there will be no material changes in the bases or rates of taxation in those countries in which the Group operates or intends to operate;
- there will be no significant changes in interest rates or foreign currency exchange rates from those currently prevailing;
- there will be no significant changes in its business relationship with its existing strategic and business partners;
- there will be sufficient research experts and skilled staff in the information technology industry; and
- there will be no material changes in the funding required for each of the scheduled achievements as outlined under the paragraph headed "Statement of business objectives" in this section.

USE OF PROCEEDS

The Company intends to raise funds by way of the Share Offer in order to pursue its business objectives as set out in the paragraph headed "Business plans" under the section headed "Statement of business objectives" above.

The net proceeds of the Share Offer, after deducting related expenses and based on the Offer Price of \$0.28 per Share, are estimated to amount to about \$18.2 million. The Directors currently intend to apply such net proceeds as follows:

- as to about \$3.0 million for acquiring additional servers and computers to enhance the Group's data operation centres in Hong Kong;
- as to about \$3.0 million for upgrading the design and features of the Group's i-Panel terminal;
- as to about \$5.7 million for engaging software house(s) to further develop the Group's Residential Intranet and e-property management software application;
- as to about \$5.0 million for the promotion of the Group's business and awareness in the PRC; and
- as to about \$1.5 million for relocating the Group's head office for accommodating additional staff and computer equipment.

STATEMENT OF BUSINESS OBJECTIVES

In summary, the implementation of the Group's business plans for the period from the Latest Practicable Date to 31st March, 2005 will be funded as follows:

	From the Latest Practicable Date to 30.9.2002 \$'million	6 months ending 31.3.2003 \$'million	6 months ending 30.9.2003 \$'million	6 months ending 31.3.2004 \$'million	6 months ending 30.9.2004 \$'million	6 months ending 31.3.2005 \$'million	Total \$'million
Data operating centre	1.00	1.00	0.50	0.50	–	–	3.00
i-Panel design and prototyping	1.00	1.00	0.50	0.50	–	–	3.00
Research and development and software development	2.00	2.20	1.00	0.50	–	–	5.70
Sales and marketing	1.20	1.20	1.10	1.00	0.50	–	5.00
Human resources deployment and office relocation	0.50	1.00	–	–	–	–	1.50
	<u>5.70</u>	<u>6.40</u>	<u>3.10</u>	<u>2.50</u>	<u>0.50</u>	<u>–</u>	<u>18.20</u>
Total	<u>5.70</u>	<u>6.40</u>	<u>3.10</u>	<u>2.50</u>	<u>0.50</u>	<u>–</u>	<u>18.20</u>

To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes, it is the present intention of the Directors that such proceeds will be placed on short-term interest-bearing deposits with licensed banks and/or financial institutions in Hong Kong.

In the event that any of the Group's business objectives do not materialise or proceed as planned, the Directors will conscientiously evaluate the situation and may reallocate the proceeds for other business purposes so long as they represent the best interests of the Company and its shareholders and comply with the GEM Listing Rules. In the event that there is to be any material modification to the use of proceeds as described above, the Company will issue an announcement accordingly.

According to current estimate, the Directors expect that the net proceeds from the Share Offer of about \$18.2 million will be sufficient to finance the implementation of the Group's business plans up to 31st March, 2005.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

The Group was established in 1999. Founders' backgrounds are made up of a combination of profound experiences in property management, construction management and IT business. Management biographies are as follows:

Executive Directors

Ms. Wong Yuen Yee, aged 40, is one of the founders of the Group, the chairman and an executive Director. Ms. Wong is the sister of Mr. Wong Kwok Sing, who is the chief operation officer and executive Director of the Company. Ms. Wong is responsible for formulating and monitoring the Group's overall strategic plan and development. Ms. Wong graduated from University of Hong Kong with a bachelor of social sciences degree in 1984 and a master degree in business administration in 1993. Ms. Wong has over 15 years of experience in property development and management in both the PRC and Hong Kong. She worked as a general manager in HyComm Wireless Limited (formerly known as Plotio Holdings Limited) for the period from 1985 to 1991. She was the executive director and board consultant of Soundwill Holdings Limited in Hong Kong for the periods from 1993 to 1997 and from 1997 to 1998 respectively. She was appointed as the director of Land First Holdings Limited for the period from 1998 to 1999.

Mr. Wong Kwok Sing, aged 38, is one of the founders of the Group, the chief operation officer and an executive Director. Mr. Wong is responsible for the Group's daily operation and customer services, and sale and marketing activities for promoting the Group's products and services. Mr. Wong graduated from Shue Yan College with a high diploma in business administration in 1986. Mr. Wong has about 16 years of experience in the IT industry and extensive experience in marketing, research and business development in the Asia Pacific Region. Prior to joining the Group, Mr. Wong was the executive officer of Bell Technology Ltd. with principal duties relating to system design, computer networking, Internet services and computer products trading for the period from 1989 to 1998. He was the sales supervisor of Caripac Ltd. with main responsibility regarding system design and Smart Home solution. In addition, he played a major role in business development, particularly in the PRC market, whilst working with Bell Technology Ltd. and Caripac Ltd.. Mr. Wong was one of the founders of the portal "www.b66.com" in 1996 which was well received by many commercial media companies. Mr. Wong is the brother of Ms. Wong Yuen Yee, who is the chairman and an executive Director.

Mr. Wong Yao Wing, Robert, aged 44, is the chief executive officer and an executive Director. Mr. Wong Yao Wing, Robert is also the compliance officer of the Company. Mr. Wong Yao Wing, Robert is responsible for the Group's corporate management and strategic planning for the Group's overall business. He graduated from University of Hong Kong with a master degree in business administration in 1993. Mr. Wong Yao Wing, Robert has 21 years of experience in the field of information technology and eight years of experience in lecturing at the Polytechnic University, and has also been working in commercial sectors for nine years as senior management. He also has ample knowledge of software development and project management in various industries and has acquired substantial business and technical knowledge in telecommunication, Internet, e-commerce and networking. Prior to joining the Group, Mr. Wong Yao Wing, Robert was the president of HealthAnswers Asia Pte Ltd., and the founder and managing director of Expert System Co., Ltd. and Expert System Solution Ltd.. Mr. Wong Yao Wing, Robert joined the Group in January 2001.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Lam Shiu San, aged 29, is the chief technology officer of the Group and an executive Director. He is responsible for monitoring the hardware and software development of the Group. He is also in charge of all the technical issue of the Group's projects. Prior to joining the Group, Mr. Lam was the technical director of NetTrend Computer for the period from 1997 to 2000 and was the technical manager of Bell Technology Limited for the period from 1993 to 1997. He has approximately 10 years' experience in software development, network infrastructure design, system administration and portal site development. He was also one of the founders of the portal www.b66.com. Mr. Lam holds a Certificate of Computer and Communication Engineering and a Microsoft Certificated Professional + Internet and is a Microsoft Certificated Systems Engineer. Mr. Lam joined the Group in July 2000.

Each of the Executive Directors has entered into a service contract with the Company. Details of such service contracts are set out in the paragraph headed "Particulars of service contracts" in Appendix IV to this prospectus.

Independent non-executive Directors

Ms. Chow Wai Man, Grace, aged 46, is an independent non-executive Director. Ms. Chow graduated from Yale University in Connecticut, US and University of Southern California in California, US with a bachelor degree in administrative science in 1978 and a master degree in finance in 1981 respectively. Ms. Chow has approximately twenty years of experience in finance and banking. She is currently the Head of Private Banking Asia Pacific and Chief Representative of AIG Private Bank Limited Hong Kong Representative Office. She was previously a managing director of the private banking group of HSBC Republic. Ms. Chow was appointed as an independent non-executive Director in November 2001.

Ms. Wu Wai Yee, Annis, aged 47, is an independent non-executive Director. Ms. Wu is the director of Annis Wu & Associates Limited which engages in financial advisory services. She has over 13 years of experience in banking, financial consulting and auditing with foreign banks, local regulatory body and international accounting firms, such as Pricewaterhouse, ABN AMBRO Bank and the SFC. Ms. Wu holds a higher diploma in accountancy and is an associate member of the Hong Kong Society of Accountants. She was appointed as an independent non-executive Director in November 2001.

AUDIT COMMITTEE

The Company will establish an audit committee upon listing with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee has two members, namely Ms. Chow Wai Man, Grace and Ms. Wu Wai Yee, Annis, both being independent non-executive Directors.

SENIOR MANAGEMENT

Mr. Chow Kam Wing, aged 43, is the consultant of the Group. Mr. Chow graduated from Murdoch University in Perth, Australia with a master degree in business for the administration. He also completed a master degree programme in project management from Curtin University of Technology in Australia. Mr. Chow has about 17 years of experience in property development, project management, design and construction industry, and extensive experience in business

DIRECTORS, SENIOR MANAGEMENT AND STAFF

development in Asia Pacific region, in particular the PRC and Taiwan. He is one of the founders and co-owner of PCIM Design and Contracting Limited and C.P. Designs Limited. Mr. Chow joined the Group in July 2000.

Ms. Wong Yuen Man, Alice, aged 36, is the director of human resources and communications of the Group. Ms. Wong is the sister of Ms. Wong Yuen Yee, who is the chairman and an executive Director. She is responsible for human resources, administration and external communications. Ms. Wong graduated from Indiana State University in Indiana, US with a bachelor degree in public relations. She has approximately 10 years of experience in the field of communications and human resources. Ms. Wong had spent nine years employed in American Consulate General in Hong Kong. She handled the visit of U.S. Secretary of State and President Clinton in 1997 and 1998 respectively. Prior to joining the Group, she worked for Adler Planetarium in Chicago, US. Ms. Wong joined the Group in September 2000.

Mr. Li Kar Fai, Peter, aged 37, is the qualified accountant and company secretary of the Group. He is responsible for the financial control, accounting and general administration of the Group. Mr. Li graduated from City University of Hong Kong (formerly City Polytechnic of Hong Kong) with a bachelor degree in accountancy. He is an associate member of the Hong Kong Society of Accountants and a fellow member of the Association of Chartered Certified Accountants. Prior to joining the Group in February 2002, he worked for Pricewaterhouse (name changed to PricewaterhouseCoopers), an international accounting and audit firm, for eight years and Asia Aluminum Holdings Limited whose securities are listed on the Stock Exchange as a financial controller and company secretary for four years.

STAFF

Staff

As at the Latest Practicable Date, the Group had a total of 13 full-time staff all of whom are based in Hong Kong. The breakdown of staff by function as at 31st March, 2001 and 2002 and as at the Latest Practicable Date is as follows:

	As at 31st March, 2001	As at 31st March, 2002	As at the Latest Practicable Date
Management	4	4	4
Software design and development	2	3	3
Finance and administration	2	5	5
Sales and marketing	1	1	1
	<u> </u>	<u> </u>	<u> </u>
Total	<u> 9 </u>	<u> 13 </u>	<u> 13 </u>

Relationship with staff

The Group recognises the importance of training to its staff. Apart from on-the-job training, the Group generally provides internal and external training for its staff to enhance technical or product knowledge, especially in the event that it adopts new technology from any software vendor. Such training covers network infrastructure planning and design, networking equipment installation and configuration, Linux installation and administration, PHP programming, building Ultralite applications using SQL Anywhere Studio and installation of Linux.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulties in the recruitment and retention of experienced staff. The Directors believe that the Group has a good working relationship with its employees.

Benefit scheme

The Group provides a provident fund scheme for its staff in Hong Kong in compliance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) which took effect from 1st December, 2000.

Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme

Under the Pre-IPO Share Option Scheme, certain full-time employees and directors (including executive Directors) of the Group have been granted options to acquire Shares. In addition, the Company has conditionally adopted a Post-IPO Share Option Scheme whereby employees (both full-time and part-time) and directors of and consultants and advisers to the Group, may be granted options to acquire Shares. The Directors believe that the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme will assist in the recruitment and retention of high calibre executives and employees. The principal terms of the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme are set out in the paragraph headed “Share Option Schemes” in Appendix IV to this prospectus.

<p>SUBSTANTIAL, INITIAL MANAGEMENT, SIGNIFICANT AND OTHER SHAREHOLDERS SUBJECT TO LOCK-UP PERIOD</p>

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue and assuming that the Over-allotment Option and the options under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme are not exercised and taking no account of Shares which may be taken up under the Share Offer, the following persons will be, directly or indirectly, entitled to exercise or control the exercise of 10% or more of the voting power at general meetings of the Company, or otherwise interested in 10% or more of the Shares then in issue:

Name	<i>Notes</i>	Number of Shares	Approximate percentage of holding
Multiturn Trading Limited	<i>1</i>	168,864,000	35.18%
Rexy Investment Limited	<i>2</i>	57,600,000	12.00%
Plotio Limited	<i>2</i>	57,600,000	12.00%
HyComm Wireless Limited	<i>2</i>	57,600,000	12.00%

Notes:

1. Multiturn Trading Limited is beneficially owned by Ms. Y Y Wong, Mr. Wong, Mr. Chow and Mr. Lam as to 31%, 31%, 31% and 7% respectively.
2. Rexy Investment Limited is wholly-owned by Plotio Limited, which is wholly-owned by HyComm Wireless Limited, an independent third party which shares are listed on the Stock Exchange.

<p>SUBSTANTIAL, INITIAL MANAGEMENT, SIGNIFICANT AND OTHER SHAREHOLDERS SUBJECT TO LOCK-UP PERIOD</p>

INITIAL MANAGEMENT SHAREHOLDERS

So far as the Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue and assuming that the Over-allotment Option and the options under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme are not exercised and taking no account of Shares which may be taken up under the Share Offer, the following persons will be entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and who are able, as a practical matter, to direct or influence the management of the Company, or is considered as an Initial Management Shareholder pursuant to the GEM Listing Rules:

Name	Notes	Number of Shares or attributable number of Shares	Approximate percentage or attributable percentage of shareholding
Multiturn Trading Limited	1	168,864,000	35.18%
Ms. YY Wong	1	52,320,000	10.90%
Mr. Wong	1	52,320,000	10.90%
Mr. Chow	1	52,320,000	10.90%
Mr. Lam	1	11,904,000	2.48%
Winly Group Ltd.	2	3,600,000	0.75%
Ms. Wu Wai Yee, Annis	2	3,600,000	0.75%
Ms. To Po Yim	2	3,600,000	0.75%
Ms. Chow Wai Man, Grace	3	912,000	0.19%

Notes:

1. Multiturn Trading Limited is beneficially owned by Ms. Y Y Wong, Mr. Wong, Mr. Chow and Mr. Lam as to 31%, 31%, 31% and 7% respectively.
2. Winly Group Ltd. is owned by Ms. To Po Yim and Ms. Wu Wai Yee, Annis, an independent non-executive Director in equal shares and each of them is deemed to be interested in 3,600,000 Shares, representing approximately 0.75% interests in the Company under the SDI Ordinance upon completion of the Share Offer and the Capitalisation Issue.
3. Ms. Chow Wai Man, Grace is an independent non-executive Directors.

SUBSTANTIAL, INITIAL MANAGEMENT, SIGNIFICANT AND OTHER SHAREHOLDERS SUBJECT TO LOCK-UP PERIOD
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UNDERTAKINGS BY INITIAL MANAGEMENT SHAREHOLDERS

Each of the Initial Management Shareholders (other than Winly Group Ltd., Ms. Wu Wai Yee, Annis, Ms. To Po Yim and Ms. Chow Wai Man, Grace) has undertaken to the Company, the Sponsor, (for itself and on behalf of the Underwriters) and the Stock Exchange that:

- (i) he/she/it places in escrow, with an escrow agent acceptable to the Stock Exchange, his/her/its Relevant Securities in the Company during the Twelve Months Lock-up Period on terms acceptable to the Stock Exchange;
- (ii) save under the circumstances provided by rule 13.18 of the GEM Listing Rules, during the Twelve Months Lock-up Period, he/she/it will not dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (or enter into any agreement to dispose of) any of his/her/its direct or indirect interest in the Company; and
- (iii) he/she/it will comply with rule 13.19 of the GEM Listing Rules which requires that if he/she/it pledges or charges any direct or indirect interest in the Relevant Securities at any time during the Twelve Months Lock-up Period, he/she/it must inform the Company immediately thereafter by disclosing the details specified in rule 17.43(1) to (4) of the GEM Listing Rules; and having pledged or charged any interest in the Relevant Securities, he/she/it must inform the Company immediately in the event that he/she/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of securities affected.

Each of the Initial Management Shareholders (other than Multiturn Trading Limited, Winly Group Ltd., Ms. Wu Wai Yee, Annis, Ms. To Po Yim and Ms. Chow Wai Man, Grace) has undertaken to the Company, the Sponsor (for itself and on behalf of the Underwriters) and the Stock Exchange that it/he/she will not dispose of (or enter into any agreement to dispose of) or permit the registered holder to dispose of (or enter into any agreement to dispose of) its/his/her respective interests in Multiturn Trading Limited during the Twelve Months Lock-up Period.

Each of Winly Group Ltd., Ms. Wu Wai Yee, Annis, Ms. To Po Yim and Ms. Chow Wai Man, Grace has undertaken to the Company, the Sponsor (for itself and on behalf of the Underwriters) and the Stock Exchange that:

- (i) it/she places in escrow, with an escrow agent acceptable to the Stock Exchange, her Relevant Securities in the Company during the Six Months Lock-up Period on terms acceptable to the Stock Exchange;
- (ii) save under the circumstances provided by rule 13.18 of the GEM Listing Rules, during the Six Months Lock-up Period, it/she will not dispose of (or enter into any agreement to dispose of) or permit the registered holder to dispose of (or enter into any agreement to dispose of) any of its/her direct or indirect interest in the Company; and

SUBSTANTIAL, INITIAL MANAGEMENT, SIGNIFICANT AND OTHER SHAREHOLDERS SUBJECT TO LOCK-UP PERIOD

- (iii) it/she will comply with rule 13.19 of the GEM Listing Rules which requires that if it/she pledges or charges any direct or any indirect interest in the Relevant Securities at any time during the Six Months Lock-up Period, she must inform the Company immediately thereafter by disclosing the details specified in rule 17.43(1) to (4) of the GEM Listing Rule; and having pledged or charged any interest in the Relevant Securities, she must inform the Company immediately in the event that it/she becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of securities affected.

SIGNIFICANT SHAREHOLDERS

So far as the Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue and assuming that the Over-allotment Option and the options under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme are not exercised, apart from the Initial Management Shareholders referred to above, the following shareholders will be entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company:

Name	Note	Number of Shares	Approximate percentage of holding
Rexy Investment Limited	1	57,600,000	12.00%
Plotio Limited	1	57,600,000	12.00%
HyComm Wireless Limited	1	57,600,000	12.00%
Oriental Faith Technology Limited	2	6,336,000	1.32%
Sinopower Profits Limited	2	27,456,000	5.72%
Mr. Koh Tat Lee	2	33,792,000	7.04%
Ms. Eva Wong	2	33,792,000	7.04%
Mr. Ip Kam Hoi	3	21,648,000	4.51%
Busyway Profits Limited	3	2,640,000	0.55%

Notes:

1. Rexy Investment Limited is wholly-owned by Plotio Limited, which is wholly-owned by HyComm Wireless Limited, an independent third party which shares are listed on the Stock Exchange.
2. Both Oriental Faith Technology Limited and Sinopower Profits Limited are wholly-owned by Mr. Koh Tat Lee and Ms. Eva Wong in equal shares, who are independent third parties and each of them is deemed to be interested in 33,792,000 Shares, representing approximately 7.04% interests in the Company under the SDI Ordinance upon completion of the Share Offer and the Capitalisation Issue.
3. Busyway Profits Limited is wholly-owned by Mr. Ip Kam Hoi.

UNDERTAKINGS BY SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

Each of Rexy Investment Limited, Oriental Faith Technology Limited, Sinopower Profits Limited Mr. Ip Kam Hoi and Busyway Profits Limited has respectively undertaken to the Company, the Sponsor (for itself and on behalf of the Underwriters) and the Stock Exchange that:

- (i) it will place in escrow, with an escrow agent acceptable to the Stock Exchange, his/its Relevant Securities in the Company during the Six Months Lock-up Period on terms acceptable to the Stock Exchange;

SUBSTANTIAL, INITIAL MANAGEMENT, SIGNIFICANT AND OTHER SHAREHOLDERS SUBJECT TO LOCK-UP PERIOD
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- (ii) save under the circumstances provided by rule 13.18 of the GEM Listing Rules, during the Six Months Lock-up Period, he/it will not dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (or enter into any agreement to dispose of) any of his/its direct or indirect interest in the Company; and
- (iii) he/it will comply with rule 13.19 of the GEM Listing Rules which requires that if he/it pledges or charges any direct or indirect interest in the Relevant Securities at any time during the Six Months Lock-up Period, he/it must inform the Company immediately thereafter by disclosing the details specified in rule 17.43(1) to (4) of the GEM Listing Rules; and having pledged or charged any interest in the Relevant Securities, he/it must inform the Company immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of securities affected.

FURTHER UNDERTAKINGS BY SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

In addition to the above undertakings, each of (i) HyComm Wireless Limited and Plotio Limited, the ultimate beneficial shareholder and immediate holding company of Remy Investment Limited respectively, (ii) Mr. Koh Tat Lee and Ms. Eva Wong, the shareholders of Oriental Faith Technology Limited and Sinopower Profits Limited and (iii) Mr. Ip Kam Hoi, the shareholder of Busyway Profits Limited has respectively given an undertaking to the Company, the Sponsor (for itself and on behalf of the Underwriters) and the Stock Exchange that:

- (i) HyComm Wireless Limited shall not and shall procure that none of its associates, nominees or trustees holding in trust for it shall, during the Six Months Lock-up Period, dispose of (nor enter into any agreement to dispose of) any of its interests in Plotio Limited, the immediate holding company of Remy Investment Limited; and shall further procure that Plotio Limited and none of the associates, nominees or trustees holding in trust for Plotio Limited shall, during the Six Months Lock-up Period, dispose of (nor enter into any agreement to dispose of) any of Plotio Limited's interests in Remy Investment Limited; and that Plotio Limited shall not and shall procure that none of its associates, nominees or trustees holding in trust for it shall, during the Six Months Lock-up Period, dispose of (nor enter into any agreement to dispose of) any of its interests in Remy Investment Limited; and that
- (ii) Mr. Koh Tat Lee and Ms. Eva Wong shall not and shall procure that none of his/her associates, nominees or trustees holding in trust for him/her shall, during the Six Months Lock-up Period, dispose of (nor enter into any agreement to dispose of) any of his/her interests in Sinopower Profits Limited and Oriental Faith Technology Limited respectively; and that
- (iii) Mr. Ip Kam Hoi shall not and shall procure that none of his associates, nominees or trustees holding in trust for him shall, during the Six Months Lock-up Period, dispose of (nor enter into any agreement to dispose of) any of his interests in Busyway Profits Limited.

<p>SUBSTANTIAL, INITIAL MANAGEMENT, SIGNIFICANT AND OTHER SHAREHOLDERS SUBJECT TO LOCK-UP PERIOD</p>

OTHER SHAREHOLDERS

Name	Number of Shares	Percentage of shareholding
1. Innomore Assets Limited	10,128,000	2.11%
2. East Excellance Ltd.	7,680,000	1.60%
3. Best Approach Limited	7,680,000	1.60%
4. Ms. Shek Wai Fong	6,864,000	1.43%
5. Pok Sun Enterprises Limited	5,424,000	1.13%
6. Superior IT Holdings Limited	4,896,000	1.02%
7. Mr. Lai Ping Wah	3,696,000	0.77%
8. Mr. Wong Chung Yu	3,696,000	0.77%
9. Mr. Wong Shui Fun	3,696,000	0.77%
10. Insight Finance Limited	3,552,000	0.74%
11. Ms. Chen Qi	3,504,000	0.73%
12. Edgehill Industrial Limited	3,168,000	0.66%
13. Kai Yick Developments Limited	3,024,000	0.63%
14. Direct Up Finance Limited	2,160,000	0.45%
15. Workforce Advantage Limited	1,152,000	0.24%
16. Wide Move Finance Limited	624,000	0.13%

Note: Each of and each of the beneficial owners of (as the case may be) (i) Innomore Assets Limited, namely Mr. Sy Eio Tat Eugene, (ii) East Excellance Ltd., namely Mr. Ho Yiu Ming, Mr. Lee Chiu Kang, Mr. Chan Siu Man and Mr. Chu Wai Pang, (iii) Best Approach Limited, namely Mr. Law Fung Yuen, Paul, (iv) Ms. Shek Wai Fong, (v) Pok Sun Enterprises Limited, namely Mr. Chua Yau Kwing, (vi) Superior IT Holdings Limited, namely Mr. Chan Kam Cheong, (vii) Mr. Lai Ping Wah, (viii) Mr. Wong Shui Fun, (ix) Mr. Wong Chung Yu, (x) Insight Finance Limited, namely Ms. Yeung Yik, (xi) Ms. Chen Qi, (xii) Edgehill Industrial Limited, namely Mr. Lam Wing Chung, (xiii) Kai Yick Developments Limited, namely Ms. Ho Sai Man, (xiv) Direct Up Finance Limited, namely Ms. Mok Siu Ling, (xv) Workforce Advantage Limited, namely Mr. Kang Jing and Mr. Sun Li Hua, and (xvi) Wide Move Finance Limited, namely Mr. Pan Qi are independent third parties not connected with any of the Directors, the chief executive, the Initial Management Shareholders, the Substantial Shareholders or any of their respective associates and all of them are considered to be public shareholders. Each of them does not have any board representation or involvement in the management of the Company and their acquisition of Shares were not financed directly or indirectly by any connected person to the Group. Each of the aforesaid beneficial owners and individual owners is independent to each other.

UNDERTAKINGS BY OTHER SHAREHOLDERS

Each of Innomore Assets Limited, East Excellance Ltd., Best Approach Limited, Ms. Shek Wai Fong, Pok Sun Enterprises Limited, Superior IT Holdings Limited, Mr. Lai Ping Wah, Mr. Wong Shui Fun, Mr. Wong Chung Yu, Insight Finance Limited, Ms. Chen Qi, Edgehill Industrial Limited, Kai Yick Developments Limited, Direct Up Finance Limited, Workforce Advantage Limited and Wide Move Finance Limited has respectively undertaken to the Company, the Sponsor (for itself and on behalf of the Underwriters) and the Stock Exchange that during the Twelve Months Lock-up Period, he/she/it will not dispose of (nor enter into any agreement to dispose of) any of his/her/its direct or indirect interests in the Company.

SUBSTANTIAL, INITIAL MANAGEMENT, SIGNIFICANT AND OTHER SHAREHOLDERS SUBJECT TO LOCK-UP PERIOD
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In addition, each of Mr. Sy Eio Tat Eugene, the shareholder of Innomore Assets Limited, Mr. Ho Yiu Ming, Mr. Lee Chiu Kang, Mr. Chan Siu Man and Mr. Chu Wai Pang, the shareholders of East Excellance Ltd., Mr. Law Fung Yuen, Paul, the shareholder of Best Approach Limited, Mr. Chua Yau Kwing, the shareholder of Pok Sun Enterprises Limited, Mr. Chan Kam Cheong, the shareholder of Superior IT Holdings Limited, Ms. Yeung Yik, the shareholder of Insight Finance Limited, Mr. Lam Wing Chung, the shareholder of Edgehill Industrial Limited, Ms. Ho Sai Man, the shareholder of Kai Yick Developments Limited, Ms. Mok Siu Ling, the shareholder of Direct Up Finance Limited, Mr. Kang Jing and Ms. Sun Li Hua, the shareholders of Workforce Advantage Limited, and Mr. Pan Qi, the shareholder of Wide Move Finance Limited has respectively undertaken to the Company and the Sponsor (for itself and on behalf of the Underwriters) and the Stock Exchange that he/she/it will not dispose of (nor enter into any agreement to dispose of) any of his/her/its respective direct or indirect interests in the share capital of Innomore Assets Limited, East Excellance Ltd., Best Approach Limited, Pok Sun Enterprises Limited, Superior IT Holdings Limited, Insight Finance Limited, Edgehill Industrial Limited, Kai Yick Developments Limited, Direct Up Finance Limited, Workforce Advantage Limited and Wide Move Finance Limited during the Twelve Months Lock-up Period.

Immediately following the completion of the Share Offer and the Capitalisation Issue and the Share Offer and assuming that the Over-allotment Option is exercised in full, the percentage of Shares to be held by the public will be approximately 39.78%.

SHARE CAPITAL

<i>Authorised:</i>		\$
10,000,000,000	Shares	100,000,000

Issued and to be issued, fully paid or credited as fully paid:

30,000,000	Shares in issue	300,000
354,000,000	Shares to be issued at the date of this prospectus pursuant to the Capitalisation Issue	3,540,000
<u>96,000,000</u>	New Shares to be issued pursuant to the Share Offer	<u>960,000</u>
<u><u>480,000,000</u></u>	Shares	<u><u>4,800,000</u></u>

Pursuant to Rule 11.23(1) of the GEM Listing Rules, at the time of listing and at all times thereafter, the Company must maintain the minimum prescribed percentage of 25% of the issued share capital of the Company in the hands of the public.

Assumptions

The above table assumes that the Share Offer and the Capitalisation Issue become unconditional.

It takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option, or under the Pre-IPO Share Option Scheme or the Post-IPO Share Option Scheme, or under the general mandate (see below “General mandate to issue Shares”), or which may be bought back by the Company (see below “General mandate to repurchase Shares”).

Ranking

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued and, in particular, will qualify for all dividends or other distributions hereafter declared, paid or made on the Shares except in respect of the Capitalisation Issue.

Share Option Schemes

The Company has conditionally adopted the Post-IPO Share Option Scheme. A summary of its principal terms is set out in the paragraph headed “Summary of the terms of the Post-IPO Share Option Scheme” in Appendix IV to this prospectus.

Under the Post-IPO Share Option Scheme, options to subscribe for Shares may be granted to the directors and employees (both full-time and part-time) of and consultants and advisers to the Group provided that the aggregate nominal value of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme shall not exceed, when aggregated with any Shares subject to any other share option schemes of the Company, 30% of the aggregate nominal value of all the issued Shares from time to time (excluding Shares which may be issued pursuant to the exercise of options granted under the Post-IPO Share Option Scheme and any other share option scheme).

SHARE CAPITAL

Pre-IPO Share Option Scheme

The Company has conditionally adopted the Pre-IPO Share Option Scheme, a summary of the principal terms of which is set forth under “Summary of the terms of the Pre-IPO Share Option Scheme” in Appendix IV to this prospectus. Under the Pre-IPO Share Option Scheme, four executive Directors and seven full-time employees (including two senior management staff) of the Group have been granted options to subscribe for 48,000,000 Shares in aggregate representing 10% of the issued share capital of the Company as at the date on which dealings of the Shares on GEM first commence.

General mandate to issue Shares

A general unconditional mandate has been granted to the Directors to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- (i) 20% of the aggregate nominal amount of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue and the Over-allotment Shares, if any; and
- (ii) the aggregate nominal amount of Shares repurchased by the Company under the authority referred to in the paragraph headed “General mandate to repurchase Shares” below.

This mandate does not apply to situations where the Directors allot, issue or deal with Shares under a rights issue, script dividend scheme or similar arrangement, or on the exercise of options granted or to be granted under the Pre-IPO Share Option Scheme or the Post-IPO Share Option Scheme.

This mandate will expire:

- (iii) at the end of the Company’s next annual general meeting; or
- (iv) at the end of the period within which the Company is required by law or its bye-laws to hold its next annual general meeting; or
- (v) when varied or revoked by an ordinary resolution of the Company’s shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, see the paragraph headed “Further information about the Company” in Appendix IV to this prospectus.

General mandate to repurchase Shares

A general unconditional mandate has been granted to the Directors to exercise all the powers of the Company to repurchase Shares with nominal value of up to 10% of the aggregate nominal amount of the Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue and the Over-allotment Shares, if any.

SHARE CAPITAL

This mandate only relates to purchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which are recognised by the Securities and Futures Commission and the Stock Exchange for this purpose), and which are in accordance with the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “Repurchase by the Company of its own securities” in Appendix IV to this prospectus.

This mandate will expire:

- (vi) at the end of the Company’s next annual general meeting; or
- (vii) at the end of the period within which the Company is required by law or its bye-laws to hold its next annual general meeting; or
- (viii) when varied or revoked by an ordinary resolution of the Company’s shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, see the paragraph headed “Further information about the Company” in Appendix IV to this prospectus.

FINANCIAL INFORMATION

INDEBTEDNESS

Borrowings

As at the close of business on 31st May, 2002, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this prospectus, the Group had outstanding bank overdrafts of approximately \$3.5 million.

Contingent liabilities

As at 31st May, 2002, the Group had no material contingent liabilities.

Commitments

As at 31st May, 2002, the Group had capital commitments for the acquisition of intangible assets of approximately \$1.4 million of which approximately \$1.4 million had been contracted but not provided for.

As at 31st May, 2002, the Group had commitments to pay approximately \$0.3 million in respect of the future minimum lease payments under non-cancellable operating leases of approximately \$0.1 million and \$0.2 million in respect of office premises and office equipment respectively.

Security

As at 31st May, 2002, banking facilities of the Group of approximately \$3.5 million were secured by deposits of \$3.5 million pledged to a bank.

Disclaimers

Save as aforesaid or otherwise disclosed in this prospectus, and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures or other loan capital issued or outstanding or agreed to be issued, loans or other similar indebtedness, or hire purchase contracts or any guarantees or other material contingent liabilities outstanding at the close of business on 31st May, 2002.

The Directors have confirmed that, save as disclosed above, there has not been any material change in the indebtedness and contingent liabilities of the companies comprising the Group since 31st May, 2002.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

The Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under rules 17.15 to 17.21 of the GEM Listing Rules.

FINANCIAL INFORMATION

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**Net current assets**

As at 31st May, 2002, being the latest practicable date for the purpose of this indebtedness statement, the Group had net current assets of approximately \$11.2 million. Current assets of the Group comprised cash and cash equivalents of approximately \$6.5 million, accounts receivable of approximately \$6.3 million and prepayments and other receivables of approximately \$5.0 million. The current liabilities of the Group comprised bank overdrafts of approximately \$3.5 million, other payables and accruals of approximately \$2.2 million and tax payable of approximately \$0.9 million.

Financial resources

The Group generally services its debts primarily through cash generated from its operations and the bank overdraft facility of approximately \$3.5 million. The Directors are of the opinion that, after taking into account the existing financial resources available to the Group, the expected internally generated funds and the estimated net proceeds of the Share Offer, the Group will have sufficient resources to meet its foreseeable requirements.

Foreign exchange risk

As at the date hereof, the Company did not have any significant liabilities denominated in a currency other than Hong Kong dollars.

FINANCIAL INFORMATION

TRADING RECORD

Summary of combined results of the Group

The following table summarises the Group's combined turnover and results for the two years ended 31st March, 2002 prepared on the assumption that the current structure of the Group had been in place throughout the period under review. The summary should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus on pages 131 to 146.

		Year ended 31st March, 2001 \$'000	Year ended 31st March, 2002 \$'000
	<i>Note</i>		
Turnover	1, 2	1,252	19,461
Cost of services		(287)	(2,161)
		<hr/>	<hr/>
Gross profit		965	17,300
Other revenue		42	1
Research and development costs		(1,347)	(240)
Marketing and promotion expenses		(1,380)	(1,013)
Administrative expenses		(2,941)	(3,059)
		<hr/>	<hr/>
(Loss)/profit from operations		(4,661)	12,989
Finance cost		–	(33)
		<hr/>	<hr/>
(Loss)/profit from ordinary activities before taxation		(4,661)	12,956
Taxation		753	(2,074)
		<hr/>	<hr/>
(Loss)/profit attributable to shareholders		(3,908)	10,882
Accumulated losses brought forward		(341)	(4,249)
		<hr/>	<hr/>
(Accumulated losses)/retained profits carried forward		(4,249)	6,633
		<hr/> <hr/>	<hr/> <hr/>
Dividend			
Final dividend proposed after the balance sheet date		–	4,000
		<hr/> <hr/>	<hr/> <hr/>
(Loss)/earnings per share	3	(1.02) cents	2.83 cents
		<hr/> <hr/>	<hr/> <hr/>
Diluted (loss)/earnings per share	4	(0.90) cents	2.52 cents
		<hr/> <hr/>	<hr/> <hr/>

FINANCIAL INFORMATION

Notes:

1. The Group's turnover represents the amount received and receivable for the provision of the design of Residential Intranet and e-property management software application design, development and installation services.
2. The Group's turnover and operating profit are entirely derived from the design of Residential Intranet and software application design, development and installation services rendered in and derived from Hong Kong. Accordingly, no analyses by business and geographical segments are provided.
3. The calculation of the basic (loss)/earnings per Share for each year is based on the Group's combined (loss)/profit attributable to shareholders during the respective year and on the assumption that 384,000,000 Shares had been in issue throughout the Track Record Period and the Pre-IPO Share Option had not been exercised.
4. The calculation of the diluted (loss)/earnings per share is based on the Group's combined (loss)/profit attributable to shareholders for the Track Record Period and on the assumption that 432,000,000 Shares had been in issue throughout the Track Record Period and the Pre-IPO Share Option had been exercised in full at the beginning of the Track Record Period.

Overview

The Group's gross profit margin had increased from approximately 77% for the year ended 31st March, 2001 to approximately 89% for the year ended 31st March, 2002. The Directors believe that the increase in the gross profit margin was mainly due to the higher profit margin of the provision of software application design, development and installation services as compared to the provision of Residential Intranet design.

For the year ended 31st March, 2001, research and development costs comprise staff costs for marketing and technology researcher and feasibility study expenses paid to a third party research company. For the year ended 31st March, 2002, such costs comprised only payment to a research company for conducting feasibility studies and hence, the research and development costs for the corresponding period amounted to approximately \$240,000.

Marketing and promotion expenses for the year ended 31st March, 2001 were substantial as a result of the organisation of the Group's large scale seminar held in Shanghai in September 2000 which was aimed at promoting the Group's products, developing customer profile and gaining the Group's public awareness. Frequent travelling to the PRC for the Group's senior management to visit clients, the marketing and promotion expenses amounted to approximately \$1 million for the year ended 31st March, 2002.

The major item in administrative expenses is staff costs, which amounted to approximately \$2.1 million and approximately \$1.7 million for the years ended 31st March, 2001 and 2002 respectively. The increase in other general and administrative expenses was as a result of business expansion.

For the year ended 31st March, 2001

The Group's turnover of about \$1.3 million for the year ended 31st March, 2001 was entirely attributable to its provision of the design of Residential Intranet and software application design, development and installation services. During this financial year, the Group rendered its design, development and installation services for the PRC clients and had completed three projects.

FINANCIAL INFORMATION

Since the date of its inception, the Group has focused on its effort in planning and conceiving its business model as well as marketing its core service to become one of the active e-property management solutions providers in the PRC. During the year ended 31st March, 2001, the Group incurred marketing and promotion expenses of approximately \$1.4 million. The Group had organised a large scale marketing event in Shanghai to promote its products, developing customer profile and enforcing the Group's public awareness. During the year ended 31st March, 2001, the Group incurred research and development expenses of approximately \$1.3 million. In addition to the feasibility study expenses paid to a third party research company, the Directors and the staff of the Group conducted several marketing and technology researches during the year. The significant amount of approximately \$2.9 million of administrative expenses for the year ended 31st March, 2001 was largely due to the staff costs of approximately \$2.1 million. A total of nine staff, including the Directors, were employed by the Group during the year ended 31st March, 2001.

For the year ended 31st March, 2002

During the year ended 31st March, 2002, the Group kept marketing its services to property developers with a geographical focus in Shenzhen and Beijing, the PRC and the number of contracts signed during this fiscal year has increased to 12. Consequently, turnover of the Group increased substantially to approximately \$19.5 million which was attributable to the provision of the design of Residential Intranet and software application design, development and installation services. The Directors are of the view that the substantial increase in turnover was largely due to the marketing efforts placed in the previous financial period of the Group and gradual reception of its products by its target customers. In addition, the average contracted value during the period under review increased to approximately \$2.0 million from approximately \$417,000 for the previous financial year.

For the year ended 31st March, 2002, only about \$0.24 million was charged as research and development expenditures of the Group which was principally used for engaging a research company to conduct feasibility studies of property market in Shanghai, the PRC. Besides, approximately \$2 million has been used for engaging Great Asia to develop the Group's e-property management software. Under the Group's accounting policy, such software development costs were capitalised as intangible assets during the respective year. As such, the research and development cost was substantially decreased from the previous fiscal year of approximately \$1.3 million to approximately \$240,000 for the period under review. Marketing and promotion expenses amounted to \$1 million for the year ended 31st March, 2002, representing a decrease of approximately 26.6% as compared to \$1.4 million for the year ended 31st March, 2001. The decrease was primarily due to expenses for a large-scale marketing event and exhibitions held in Shanghai and Beijing, the PRC in the previous year. In addition, administrative expenses for the year ended 31st March, 2002 were at a similar level as those for the corresponding period of the previous year.

Taxation

Hong Kong

The Group will be subject to Hong Kong Profits Tax if it derives Hong Kong sourced profits from a business carried on in Hong Kong. Such Hong Kong sourced profits, as adjusted in accordance with Hong Kong tax law, will generally be subject to tax at the rate of 16%.

For the year ended 31st March, 2001, the Group recorded tax benefits of approximately \$0.8 million for the year ended 31st March, 2001 which represents the recognition of deferred tax assets resulted from the operating losses.

FINANCIAL INFORMATION

For the year ended 31st March, 2002, the Group's corporate income tax in Hong Kong was approximately \$0.9 million and deferred tax of approximately \$1.1 million, totalling approximately \$2.0 million which represented an effective tax rate of about 16%.

PRC

During the Track Record Period, all the Group's revenue was settled in Hong Kong, the provision of Residential Intranet design and e-property management software application design, development and installation services were predominantly carried out in Hong Kong, and no staff of the Group has ever stationed in the PRC for a consecutive period of more than 60 days for the provision of the aforesaid services and/or any other services. Accordingly, the Directors consider that the provision for PRC tax is not required. The Group has obtained legal opinions from its PRC legal advisers, who confirmed that all revenue of the Group (being an overseas company which does not have any permanent establishment in the PRC) during the Track Record Period derived from provision of Residential Intranet design and e-property management software application design, development and installation services to its customers in the PRC is not subject to PRC taxes including business tax, foreign enterprise income tax and stamp duty. Further, most of the contracts entered into between the Group and its customers provided that the customers of the Group shall be responsible for paying the PRC taxes.

PROPERTY INTERESTS AND OTHER ASSETS

Hong Kong

The Group's head office in Hong Kong is located at Room 2303, Tung Wai Commercial Building, 109 – 111 Gloucester Road, Wan Chai, Hong Kong. The Group occupies a total gross floor area of approximately 1,685 sq.ft.. Such property is leased from an independent third party which is not connected with any of the Directors, chief executive of the Group, Initial Management Shareholders or Substantial Shareholders or any of their subsidiaries or their respective associates (as defined under the GEM Listing Rules) for a term of two years up to and including 3rd August, 2002 at a monthly rental of \$23,253 exclusive of rates and management charges. As at the Latest Practicable Date, the Directors confirm that the Group is in the course of negotiation with the landlord to renew the said tenancy agreement. The Directors expect that the new tenancy agreement would be entered into on or before the date of expiry of the existing tenancy agreement.

Property valuation

The property interests of the Group have been valued at no commercial value as at 30th April, 2002 by RHL Appraisal Limited, an independent property valuer. The texts of the letter with a summary of valuation and a valuation certificate prepared by RHL Appraisal Limited of these property interests is set out in Appendix II to this prospectus.

DIVIDENDS

During the year ended 31st March, 2001, the Company was not established and accordingly no dividends have been paid or declared by the Company since its incorporation. Subsequent to 31st March, 2002, a dividend of HK\$4,000,000 was declared by a subsidiary of the Group to its then equity owners.

FINANCIAL INFORMATION

The Directors at present intend to recommend total dividends of not more than 15% of profit attributable to shareholders in respect of the year ending 31st March, 2003. However, the amount of any dividends to be declared in the future will depend on, among other things, the Company's trading results, cash flows and financial condition, operating and capital requirements.

WORKING CAPITAL

Taking into account the financial resources available to the Group, including internally generated funds, the available banking facilities and the estimated net proceeds of the Share Offer (excluding the Over-allotment Shares), the Directors are of the opinion that the Group has sufficient working capital for its present requirements.

DISTRIBUTABLE RESERVES

The Company was incorporated on 19th November, 2001 and has not carried on any business since its incorporation save for the Reorganisation. Accordingly, the Company had no reserve available for distribution to the Shareholders as at that date.

FINANCIAL INFORMATION

ADJUSTED NET TANGIBLE ASSETS

The following pro forma statement of adjusted net tangible assets of the Group is based on the audited combined net assets of the Group as at 31st March, 2002 as shown in the accountant's report, the text of which is set out in Appendix I to this prospectus on pages 131 to 146, and adjusted as follows:

	<i>\$'000</i>
Audited combined net assets of the Group as at 31st March, 2002	12,558
Deduction of dividend declared after 31st March, 2002	(4,000)
Exclusion of intangible assets	<u>(1,800)</u>
	6,758
Unaudited combined profit of the Group for the two months ended 31st May, 2002 based on unaudited management accounts	346
<i>Add:</i> unaudited amortisation of intangible assets for the two-month ended 31st May, 2002	67
Estimated net proceeds of the Share Offer (<i>Note 1</i>)	<u>18,200</u>
Adjusted net tangible assets	<u><u>25,371</u></u>
Adjusted net tangible asset value per Share (based on 480,000,000 Shares in issue and to be issued as mentioned herein) (<i>Note 2</i>)	<u><u>5.29 cents</u></u>

Notes:

1. The estimated net proceeds of the Share Offer takes no account of any shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme.
2. The adjusted net tangible asset value per Share is arrived at after making the adjustment referred to herein and on the basis of a total of 480,000,000 Shares in issue and to be issued immediately following completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be allotted and issued pursuant to any options granted or may be granted under the Pre-IPO Share Option Scheme or the Post-IPO Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus.

NO MATERIAL CHANGE

Save as disclosed in the prospectus, the Directors are not aware of any material adverse change in the financial or trading position or prospects of the Group since 31st March, 2002 (being the date to which the latest audited combined financial statements of the Group were made up).

UNDERWRITING

UNDERWRITERS

Placing Underwriters

IPO Securities Limited
Hantec
South China Securities Limited
CM-CCS Securities Limited
Kingston Securities Limited
Vermont Securities Co., Ltd.
Stockwell Securities Limited
Tai Wah Securities Limited

Public Offer Underwriters

IPO Securities Limited
Hantec
South China Securities Limited
CM-CCS Securities Limited
Kingston Securities Limited
Vermont Securities Co., Ltd.
Stockwell Securities Limited
Tai Wah Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting arrangements

Pursuant to the Underwriting Agreement, the Company and the Vendor are offering the Placing Shares respectively for subscription and sale subject to the terms and conditions of this prospectus and the documents relating to the Placing at the Offer Price and the Company is offering the Public Offer Shares for subscription subject to the terms and conditions of this prospectus and the relating application forms at the Offer Price.

Subject to, inter alia, the GEM Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares and any Shares which may fall to be issued upon the exercise of any options granted or to be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme on or before 29th August, 2002, the Placing Underwriters have agreed severally to subscribe for or purchase or procure placees to subscribe for or purchase the Placing Shares, on the terms and conditions as set out in the Underwriting Agreement, and the Public Offer Underwriters have severally agreed to subscribe or procure subscribers for the Public Offer Shares, on the terms and conditions as set out in the Underwriting Agreement.

Grounds for termination

The obligations of the Sponsor (on behalf of the Underwriters) to subscribe or purchase or procure subscribers or placees to subscribe or purchase for the Offer Shares are subject to termination if certain events, including force majeure, occur at any time prior to 5:00 p.m. on the business day (means a day (excluding Saturday or a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m.

UNDERWRITING

and 4:00 p.m.) on which banks in Hong Kong are open for business) next following the date of the close of the application lists for the Public Offer. If at any time prior to such time or such date:

- (i) there shall develop, occur or come into effect:
 - (a) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of governments, strikes, lock-outs, fire, explosion, flood, civil commotion, acts of war, acts of God, accident or interruption or delay in transportation); or
 - (b) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC or any other jurisdiction relevant to the Company; or
 - (c) any change in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters (including any moratorium, suspension or material restriction on trading in securities generally on GEM) and/or the occurrence of any disasters; or
 - (d) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for the US or by the European Union (or any member thereof) on the PRC; or
 - (e) any change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the PRC or any other jurisdictions relevant to the Company; or
 - (f) any adverse change in the business or in the financial or trading position of the Group; or

which will or may, in the sole opinion of the Sponsor, be materially adverse to or materially affect the Company or its operation or its prospects or its financial position or the Share Offer or the success thereof or which makes it inadvisable or inexpedient to proceed with the Share Offer;

- (ii) there comes to the notice of the Sponsor:
 - (a) any breach of the warranties given by the Company, the executive Directors and the Initial Management Shareholders (who are parties to the Underwriting Agreement) under the Underwriting Agreement considered by the Sponsor in its sole opinion (on behalf of the Underwriters) to be material; or
 - (b) that any statement considered in the sole opinion of the Sponsor (on behalf of the Underwriters) to be material contained in this prospectus and the application forms relating to the Share Offer was, when this prospectus and the application forms relating to the Share Offer were issued, or has become, untrue, incorrect or misleading in any material respect; or

UNDERWRITING

- (c) any material breach of any of the obligations imposed upon any party to the Underwriting Agreement (other than on any of the Underwriters or the Sponsor in its capacity as Sponsors) has occurred; or
- (d) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and the application forms relating to the Share Offer, constitute an omission therefrom considered by the Sponsor in its sole opinion (on behalf of the Underwriters) to be material;
- (e) any event, act or omission which gives rise to any material liability of the Company, the executive Directors and the relevant Initial Management Shareholders (who are parties to the Underwriting Agreement) pursuant to the indemnities referred to in the Underwriting Agreement; or
- (f) any adverse change in the business or the financial or trading position of the Company which is in the sole opinion of the Sponsor (on behalf of the Underwriters) to be material in the context of the Share Offer,

then the Sponsor may give written notice to the Company to terminate the Underwriting Agreement with immediate effect.

Undertakings

Each of the Initial Management Shareholders has given non-disposal undertakings, details of which are described in the section headed “Substantial, initial management, significant and other shareholders subject to lock-up period” of this prospectus.

Pursuant to the Underwriting Agreement, the Company has undertaken to the Sponsor that it will not and each of the executive Director and the Initial Management Shareholders has undertaken to the Sponsor (on behalf of the Underwriters) that it will procure that the Company will not without the prior written consent of the Sponsor (on behalf of the Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, at any time after the date of the Underwriting Agreement up to and including the date falling six months after the date on which dealing in the Shares commence on GEM, allot or issue or agree to allot or issue any securities in the Company (including warrants or other convertible securities) or grant or agree to grant any options or other rights carrying any right to subscribe for or otherwise acquire any securities of the Company or any of its subsidiaries or enter into any swap or other arrangement that transfer, in whole or in part, any of the economic consequences of ownership of Shares, or offer to or agree to do any of the foregoing or announce any intention to do so, except pursuant to the Share Offer or the exercise of the Over-allotment Option, or the grant or exercise of any options under the Pre-IPO Share Option Scheme or the Post-IPO Share Option Scheme.

Commission and expenses

The Underwriters will receive an underwriting commission of 4.0% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commission. The Sponsor will receive a financial advisory and documentation fee in relation to the Share Offer. The underwriting commission, financial advisory and documentation fee, the initial listing fee, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees together with applicable printing and other expenses relating to the Share Offer are currently estimated to be

UNDERWRITING

approximately \$10.9 million in total (based on the Offer Price of \$0.28 per Share), and are payable as to one-fifth by the Vendor and as to four-fifth by the Company.

Underwriters' interests in the Company

Save for its interests and obligation under the Underwriting Agreement and save as disclosed in this prospectus, none of the Underwriters or any of its associates is interested beneficially or non-beneficially in any shares in any member of the Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

Sponsor's Agreement

Under a Sponsor's Agreement dated 29th July, 2002 and made between Hantec and the Company, the Company appoints Hantec and Hantec agrees to act as the sponsor to the Company for the purpose of the GEM Listing Rules for a fee from the listing date until 31st March, 2005 or until the Sponsor's Agreement is terminated pursuant to its terms and conditions.

Sponsor's interest in the Company

Save for the documentation fees to be paid to Hantec as the sponsor to the Share Offer, its obligations under the Underwriting Agreement and the Sponsor's Agreement, and interests in securities that may be subscribed for or purchased pursuant to the Share Offer, neither Hantec nor any of its associates has or may, as a result of the Share Offer, have any interest in any class of securities of the Company or any other member in the Group (including options or rights to subscribe for such securities).

No director or employee of Hantec who is involved in providing advice to the Company has or may, as a result of the Share Offer, have any interest in any class of securities of the Company or other member in the Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Share Offer).

No director or employee of Hantec has a directorship in the Company or any other member in the Group.

Over-allotment Option

The Grantors have granted to Hantec and IPO Securities Limited the Over-allotment Option, exercisable at any time before 5:00 p.m. on the day falling 30 days after the date of this prospectus, to require the Grantors to sell up to an aggregate of 18,000,000 additional existing Shares, which is equivalent to 15% of the number of Offer Shares, at the Offer Price solely to cover over-allocations in the Placing, if any.

STRUCTURE OF THE SHARE OFFER

PRICE PAYABLE ON APPLICATION

Applicants for the Public Offer Shares should pay, on application, the Offer Price of \$0.28 per Share plus 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.007% SFC transaction levy, amounting to a total of \$2,828.34 per board lot of 10,000 Shares.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon:

(a) Listing

The GEM Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; and

(b) Underwriting Agreement

The obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Underwriters) and not being terminated in accordance with the terms of that agreement or otherwise. Details of the Underwriting Agreement, its conditions and grounds for termination, are set out in the section headed “Underwriting” of this prospectus,

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 29th August, 2002, being the date which is 30 days after the date of this prospectus.

If these conditions are not fulfilled (or, where applicable, waived by Hantec (for itself and on behalf of the Underwriters)) on or before 29th August, 2002, the application monies will be returned to applicants of the Offer Shares, without interest. The terms on which the money will be returned to the applicants are set out in the section headed “Refund of your money” on the application forms.

In the meantime, the application monies for the Public Offer will be held in a separate bank account(s) with the receiving banker or any other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Basis of allocation

Allocation of Offer Shares will be based on a number of factors, including the level and timing of demand, and whether or not it is expected that the relevant investors are likely to buy further Shares, or hold or sell their Shares, after the listing of the Shares on GEM. Such allocation is intended to result in a distribution of the Offer Shares which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole.

STRUCTURE OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of up to 120,000,000 Shares will be made available under the Share Offer. Up to 12,000,000 Offer Shares, representing 10% of the Offer Shares initially available will initially be offered under the Public Offer. Up to 108,000,000 Placing Shares, representing 90% of the Offer Shares initially available will initially be offered under the Placing to professional, institutional and other investors in Hong Kong (who are not connected persons as defined in the GEM Listing Rules). The number of Shares initially offered under the Public Offer and the number of Shares initially available under the Placing are subject to reallocation on the basis described below under “Offer mechanism – Reallocation of Offer Shares between the Public Offer and the Placing”.

The Public Offer Shares are fully underwritten by the Public Offer Underwriters and the Placing Shares are fully underwritten by the Placing Underwriters in each case on a several basis, each being subject to the conditions set forth under “Underwriting Agreement” in the section headed “Underwriting” in this prospectus.

References in this prospectus to applications, application forms, application money or to the procedure for application relate solely to the Public Offer.

The Placing

The Company is initially offering 84,000,000 New Shares for subscription and the Vendor are offering 24,000,000 Sale Shares for sale at the Offer Price. The Placing Shares represent 90% of the total number of Shares being offered initially under the Share Offer. Investor subscribing for the Placing Shares are also required to pay 1% brokerage, 0.007% SFC transaction levy and 0.005% Stock Exchange trading fee on the Offer Price. In the event of a reallocation of Shares to the Public Offer from the Placing as described below, the number of Shares offered for subscription under the Placing will be reduced accordingly. The Placing is fully underwritten by the Placing Underwriters subject to the terms and conditions of the Underwriting Agreement.

The Placing Shares will be conditionally placed on behalf of the Company by the Placing Underwriters or through selling agents appointed by them at the Offer Price. The Placing Shares will be placed with professional, institutional and other investors in Hong Kong (who are not connected persons as defined in the GEM Listing Rules). Such professional, institutional and other investors in Hong Kong generally include brokers, dealers, high net worth individuals, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The total number of Placing Shares to be allotted and issued pursuant to the Placing may change as a result of the exercise of the Over-allotment Option.

Allocation of the Placing Shares to professional, institutional and other investors (who are not connected persons as defined in the GEM Listing Rules) pursuant to the Placing will be based on a number of factors, including the level and timing of demand, and whether or not it is expected that the relevant investors are likely to buy further Shares, or hold or sell their Shares, after the listing of the Shares on GEM. Such allocation is generally intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of the Company and the Shareholders as a whole.

STRUCTURE OF THE SHARE OFFER

The Public Offer

The Company is initially offering 12,000,000 Shares at the Offer Price under the Public Offer, representing 10% of the total number of Offer Shares, for subscription by members of the public in Hong Kong. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Underwriting Agreement.

Applicants under the Public Offer are required to pay on application the Offer Price, together with a 1% brokerage, a 0.007% SFC transaction levy and a 0.005% Stock Exchange trading fee.

Oversubscription of the Public Offer

The Public Offer Shares will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares. When there is a full or over subscription of Public Offer Shares, allocation of Public Offer Shares will be solely based on the level of valid applications received. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by each applicant, but will otherwise be made on a strictly pro rata basis. However, this may involve balloting, which would mean that some applicants may be allocated more Public Offer Shares than others who have applied for the same number of Public Offer Shares and that applicants who are not successful in the balloting may not receive any Public Offer Shares.

OFFER MECHANISM – REALLOCATION OF THE OFFER SHARES BETWEEN THE PLACING AND THE PUBLIC OFFER

The allocation of the Offer Shares between the Placing and the Public Offer is subject to adjustment. If the Public Offer is not fully subscribed, Hantec (for itself and on behalf of the Underwriters) may, in its absolute discretion, reallocate all or any unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such proportion and in such manner as Hantec considers appropriate. If the Placing is not fully subscribed, Hantec (for itself and on behalf of the Underwriters) may, in its absolute discretion, reallocate all or any unplaced Placing Shares originally included in the Placing to the Public Offer in such proportion and in such manner as Hantec considers appropriate.

The allocation of the Offer Shares between the Placing and the Public Offer is subject to adjustment on the following basis:

- (i) if the number of Shares validly applied for under the Public Offer equals or exceeds 180,000,000 Shares (being 15 times the number of Shares initially available for public subscriptions under the Public Offer) but is less than 600,000,000 Shares (being 50 times the number of Shares initially available for public subscriptions under the Public Offer), then the number of Shares available for public subscription under the Public Offer will be increased by 24,000,000 Shares, representing 30% of the 120,000,000 Shares available under the Share Offer;
- (ii) if the number of Shares validly applied for under the Public Offer equals or exceeds 600,000,000 Shares (being 50 times the number of Shares initially available for public subscriptions under the Public Offer) but is less than 1,200,000,000 Shares (being 100 times the number of Shares initially available for public subscription under the Public Offer), then the number of Shares available for public subscriptions under the

STRUCTURE OF THE SHARE OFFER

Public Offer will be increased by 36,000,000 Shares representing 40% of the 120,000,000 Shares available under the Share Offer; and

- (iii) if the number of Shares validly applied for under the Public Offer equals or exceeds 1,200,000,000 Shares (being 100 times the number of Shares initially available for public subscription under the Public Offer), then the number of Shares available for public subscriptions under the Public Offer will be increased by 48,000,000 Shares, representing 50% of the 120,000,000 Shares available under the Share Offer.

There will be not less than 12,000,000 Public Offer Shares initially available for subscription by the public under the Public Offer.

If the Public Offer is not fully subscribed, Hantec (for itself and on behalf of the Underwriters) will have the discretion to reallocate all or any unsubscribed Public Offer Shares to the Placing pursuant to the terms of the Underwriting Agreement.

OVER-ALLOTMENT OPTION

Pursuant to the Underwriting Agreement, the Grantors have granted to Hantec and IPO Securities Limited an Over-allotment Option which is exercisable jointly by Hantec and IPO Securities Limited to require the Grantors to sell up to an aggregate of 18,000,000 additional existing Shares, as to 3,696,000 Shares, 3,696,000 Shares, 5,424,000 Shares and 5,184,000 Shares to be sold by Mr. Lai Ping Wah, Mr. Wong Shui Fun, Pok Sun Enterprises Limited and Innomore Assets Limited respectively, at any time before 5:00 p.m. on the day falling 30 days after the date of this prospectus. The Over-allotment Shares represents approximately 15% of the number of the Offer Shares, at the Offer Price solely to cover over-allocations in the Placing, if any.

Hantec and IPO Securities Limited may also cover over-allocations in the Placing by a combination of (i) purchases in the secondary market; and/or (ii) exercise of the Over-allotment Option, either in part or in full. Any such secondary market purchase will be made in the compliance with all applicable laws and regulatory requirements and the price of any such secondary market purchases shall not exceed the Offer Price. In the event that the Over-allotment Option is exercised, an announcement will be made by Hantec, IPO Securities Limited and the Grantors setting out the relevant details. If the Over-allotment Option is partially exercised, an aggregate of such number of existing Shares as may be required are to be sold by the Grantors in the descending order of their names as listed in sub-paragraph headed “Particulars of the Grantors” under the paragraph headed “Other Information” in Appendix IV to this prospectus until such number of Shares as may be required under the partially exercised Over-allotment Option is fully satisfied.

STABILISATION

In connection with the Placing, Hantec and IPO Securities Limited may over-allocate up to an aggregate of 18,000,000 existing Shares, representing approximately 15% of the number of Offer Shares (such over-allocations may be covered by exercising the Over-allotment Option in full or in part, at any time before 5:00 p.m. on the day falling 30 days after the date of this prospectus and/or effect transactions which stabilise or maintain the market price of the Shares at levels other than those which might otherwise prevail but which are not higher than the Offer Price. Any such over-allocation purchase and/or transactions will be made in compliance with all applicable laws and regulatory requirements.

STRUCTURE OF THE SHARE OFFER

Hantec and IPO Securities Limited may also on behalf of the Underwriters effect transactions which stabilise or maintain the market price of the Shares. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case, in compliance with all applicable laws and regulatory requirements. Such transactions, if commenced, may be discontinued at any time. Should stabilising transactions be effected in connection with the distribution of Shares, they will be done at the absolute discretion of Hantec and IPO Securities Limited.

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for or purchase the newly issued securities in the secondary market during a specified period of time to retard and, if possible, prevent a decline in the initial issue price of the securities. The stabilisation price to cover over-allocations will not exceed the Offer Price.

In Hong Kong, such stabilisation activities on the Stock Exchange are restricted to cases where the underwriters purchase shares in the secondary market genuinely and solely for the purpose of covering over-allocations in the relevant offer. Such transactions, if commenced, may be discontinued at any time. The relevant provisions of the Securities Ordinance prohibit market manipulation in the form of pegging or stabilising the price of securities in certain circumstances.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(1) of the GEM Listing Rules, at the time of listing and at all times thereafter the Company must maintain the “minimum prescribed percentage” of its issued share capital in the hands of the public which, in the case of the Company, is not less than 25%. The public float of the Company upon the listing of the Shares on GEM will be 39.78%.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

WHICH APPLICATION FORM TO USE

Use a **WHITE** application form if you want the Public Offer Shares issued in your own name.

Use a **YELLOW** application form if you want the Public Offer Shares issued in the name of HKSCC Nominees Limited and deposited directly into CCASS for credit to your investor participant stock account or the stock account of your designated CCASS participant maintained in CCASS.

Note: The Public Offer Shares are not available to existing beneficial owners of the Shares, the chief executive of the Company, the Directors or the associates (as defined in the GEM Listing Rules) of any of them.

WHERE TO COLLECT THE APPLICATION FORMS FOR THE PUBLIC OFFER SHARES

You can collect a **WHITE** application form and a prospectus from:

Any participant of the Stock Exchange

or

IPO Securities Limited

Suite 2812, 28th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Hantec Capital Limited

45th Floor
COSCO Tower
183 Queen's Road Central
Hong Kong

South China Securities Limited

28th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

CM-CCS Securities Limited

26th Floor
World Wide House
19 Des Voeux Road Central
Hong Kong

Kingston Securities Limited

Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Vermont Securities Co., Ltd.

Unit 401, 4/F.
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

Stockwell Securities Limited

1-3/F., Dragon House
7-7B Cameron Road
Tsimshatsui
Kowloon
Hong Kong

Tai Wah Securities Limited

Room 1001-3
Yu To Sang Building
37 Queen's Road Central
Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

or any of the following branches of **Dao Heng Bank Limited**:

Hong Kong Island:	Head Office	Ground Floor, The Center, 99 Queen's Road Central, Hong Kong
	United Centre	1st Floor, United Centre, 95 Queensway, Hong Kong
	Sheung Wan	259-265 Des Voeux Road Central, Hong Kong
	Eastern	391 King's Road, North Point, Hong Kong
Kowloon:	Mongkok	742-744 Nathan Road, Kowloon
	Tsimshatsui	Shop A, Ground Floor, 30-32 Cameron Road, Tsimshatsui, Kowloon
New Territories:	Yuen Long	1- 5 Tai Tong Road, Yuen Long, N.T.
	New Town Plaza	Shop Nos. 569-570, Level 5, New Town Plaza Phase 1, Shatin, New Territories

or any of the following branches of **Overseas Trust Bank Limited**:

Kowloon:	Yue Man Square	59-61 Yue Man Square, Kwun Tong, Kowloon
New Territories:	Tsuen Wan	Ground Floor, 23 Chung On Street, Tsuen Wan, New Territories

You can collect a **YELLOW** application form and a prospectus from:

1. the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
2. the Customer Service Centre of HKSCC at Upper Ground Floor, V-Heun Building, 128-140 Queen's Road Central, Hong Kong; or
3. your stockbroker may have the application forms available.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

HOW TO COMPLETE THE APPLICATION FORMS

There are detailed instructions on each application form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected.

Each **WHITE** and **YELLOW** application form must be accompanied by either one separate cheque drawn on the applicant's Hong Kong dollar bank account in Hong Kong and bearing the account name (either pre-printed by the bank or certified by an authorised signatory of such bank on the reverse of the cheque) which must correspond with the name of the applicant (or, in the case of joint applicants, the name of the first applicant) on the relevant application form, or one separate banker's cashier order on the reverse of which the bank has certified by an authorised signatory the name of the applicant, which must correspond with the name of the applicant (or, in the case of joint applicants, the name of the first applicant) on the relevant application form. All such cheques or banker's cashier orders must be made payable as set out in the application form and crossed "Account Payee Only".

If your application is made through a duly authorised attorney, the Company and the Sponsor (on behalf of the Public Offer Underwriters) as agent for the Company may accept it at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. The Sponsor in its capacity as agent for the Company has full discretion to reject or accept any application, in full or in part, without assigning any reason.

HOW MANY APPLICATIONS YOU MAY MAKE

There is only one situation where you may make more than one application for Public Offer Shares:

- If you are a nominee, you may lodge more than one application in your own name on behalf of different owners. In the box on the application form marked "For nominees" you must include for each beneficial owner:–
 - an account number; or
 - some other identification code.

If you do not include this information, the application will be treated as being for your own benefit.

Otherwise, multiple applications are not allowed.

It will be a term and condition of all applications that by completing and delivering an application form, you:

- (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** application form;
- (if you are an agent for another person) warrant that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** application form, and that you are duly authorised to sign this form as that other person's agent.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

All of your applications will be rejected as multiple applications if you, or you and your joint applicants together:–

- make more than one application on a **WHITE** or **YELLOW** application form; or
- apply on one **YELLOW** or **WHITE** (whether individually or jointly with others) application form for more than 100% of the Public Offer Shares being offered.

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit**.

If an application is made by an unlisted company and

- the only business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

An unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control means you:

- *control the composition of the board of directors of that company; or*
- *control more than half the voting power of that company; or*
- *hold more than half the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).*

HOW MUCH ARE THE PUBLIC OFFER SHARES

The Offer Price is \$0.28 per Share. The proposed board lot for trading in the Shares is 10,000 Shares. You must pay, on application, the Offer Price of \$0.28 per Public Offer Share, together with 1% brokerage, a 0.007% SFC transaction levy and a 0.005% Stock Exchange trading fee. This means that for every 10,000 Public Offer Shares, you will pay \$2,828.34. The application forms have tables showing the exact amount payable for multiples of Shares applied for.

Your payment must be made by one cheque or one banker's cashier order and must comply with the terms of the related application forms. Your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Friday, 2nd August, 2002.

If your application is successful, brokerage is paid to participants of the Stock Exchange, the transaction levy is paid to the SFC and the trading fee is paid to the Stock Exchange.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

TIME FOR APPLYING FOR THE PUBLIC OFFER SHARES

Completed **WHITE** or **YELLOW** application forms, with payment attached, must be lodged by 12:00 noon on Friday, 2nd August, 2002, or, if the application lists are not open on that day, then by 12:00 noon on the day the application lists are open.

Your completed application form, with payment attached, should be deposited in any of the special collection boxes provide at any of the branches of Dao Heng Bank Limited and Overseas Trust Bank Limited listed above at the following dates and times:–

Tuesday, 30th July, 2002	–	9:00 a.m. to 5:00 p.m.
Wednesday, 31st July, 2002	–	9:00 a.m. to 5:00 p.m.
Thursday, 1st August, 2002	–	9:00 a.m. to 5:00 p.m.
Friday, 2nd August, 2002	–	9:00 a.m. to 12:00 noon

The latest time for lodging your application is 12:00 noon on Friday, 2nd August, 2002. The application lists will be opened from 11:45 a.m. to 12:00 noon on Friday, 2nd August, 2002, subject only to the weather conditions.

EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not be open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 2nd August, 2002. Instead the application lists will be open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

*For the purpose of this section, **business day** means a day that is not a Saturday, Sunday or public holiday in Hong Kong.*

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED THE PUBLIC OFFER SHARES

Details of the circumstances which you will not be allotted the Public Offer Shares are set out in the notes contained in the application forms, and you should read them carefully. You should note in particular the following two situations in which the Public Offer Shares will not be allotted to you:

- **You application is revoked**

You cannot revoke your application before the end of Friday, 9th August, 2002, being the fifth day (excluding Saturdays, Sundays and public holidays in Hong Kong) after the time of the opening of the application lists, except that you may revoke your application earlier than that date if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If your application has been accepted, it cannot be revoked.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

– Circumstances in which allotment of Public Offer Shares will be void

Your allotment of Public Offer Shares, if made, will be void if the GEM Listing Committee does not grant permission to list the Shares either:–

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the GEM Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

You may not be allocated Public Offer Shares if:

At the discretion of the Company or its agent, your application is rejected:–

The Company and Hantec (acting for itself and on behalf of the Sponsors and the Underwriters) as agent for the Company, have full discretion to reject or accept any application, or to accept only part of any application.

The Company and Hantec as agent for the Company do not have to give any reason for any rejection or acceptance.

If your application is rejected:

Your application will be rejected if:

- it is a multiple application;
- your application form is not completed correctly;
- you or the person for whose benefit you are applying have been allotted Placing Shares;
- your payment is not in correct form; or
- you pay by cheque and the cheque is dishonoured on its first presentation.

If your application is not accepted:

Your application will not be accepted if:

- the Underwriting Agreement does not become unconditional; or
- the Underwriting Agreement is terminated in accordance with its terms.

PUBLICATION OF RESULTS

The Company expects to publish the results of the Share Offer and the basis of allotment of the Public Offer Shares (with successful applicants' identification number, where appropriate) on or before Wednesday, 7th August, 2002 on the GEM website and in the The Standard (in English) and the Hong Kong Economic Times (in Chinese).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

COLLECTION/POSTING OF SHARE CERTIFICATES/REFUND CHEQUES AND DEPOSIT OF SHARE CERTIFICATES INTO CCASS

The Company will not issue temporary documents of title. No receipt will be issued for application money paid.

WHITE application form:

If you have applied for 1,000,000 Public Offer Shares or above and have indicated on your application form that you intend to collect your share certificates and/or refund cheque (if any) in person, you may collect them in person from:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

between 9:00 a.m. and 1:00 p.m. on the date notified by the Company on the GEM website and in the newspapers as referred above. The date of despatch of share certificates is expected to be on Thursday, 8th August, 2002.

Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations' chops. Both individuals and authorised representatives (if applicable) must produce at the time of collection evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

If you have opted for personal collection but do not collect your share certificates and/or refund cheque (if any) at the specified time, they will be sent to the address on your application form shortly after the date of despatch, by ordinary post and at your own risk. The Company intends to use commercially reasonable efforts to avoid delays in refunding money.

If you have applied for less than 1,000,000 Public Offer Shares or if you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your application form that you intend to collect your share certificates and/or refund cheque (if any) in person, then your share certificates and/or refund cheque (if any) will be sent to the address on your application form on the date of despatch, by ordinary post and at your own risk.

YELLOW application form:

Your share certificate(s) will be issued in the name of HKSCC Nominees Limited and deposited into CCASS for credit to your investor participant stock account or the stock account of your designated CCASS participant as instructed by you at the close of business on Thursday, 8th August, 2002, or under any contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees Limited.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you are applying through a designated CCASS participant (other than a CCASS investor participant):

- for the Public Offer Shares credited to the stock account of your designated CCASS participant (other than a CCASS investor participant), you can check the number of the Public Offer Shares allocated to you with that CCASS participant.

If you are applying as a CCASS investor participant:

- the Company will publish the results of investor participants' applications together with the results of the Share Offer on the GEM website and in the The Standard (in English) and the Hong Kong Economic Times (in Chinese) on or before Wednesday, 7th August, 2002. You should check the announcement published by the Company and report any discrepancies to HKSCC before 12:00 noon on Thursday, 8th August, 2002 or such other date as shall be determined by HKSCC or HKSCC Nominees Limited. On Friday, 9th August, 2002 (the next business day following the credit of the Public Offer Shares to your stock account) you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also mail to you an activity statement showing the number of Public Offer Shares credited to your stock account.

If you have applied for 1,000,000 Public Offer Shares or above and have indicated on your application form that you intend to collect your refund cheque (if any) in person, please follow the instructions set out under the sub-paragraph headed "WHITE application form" above.

If you have applied for less than 1,000,000 Public Offer Shares or if you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your application form that you intend to collect your refund cheque (if any) in person, then your refund cheque will be sent to the address on your application form on the date of despatch, by ordinary post and at your own risk.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealing in the Shares on GEM are expected to commence on Monday, 12th August, 2002. Shares will be traded in board lots of 10,000 Shares each.

SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on GEM as well as compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM or on any other date HKSCC chooses. Investors should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the auditors and the reporting accountants of the Company, KPMG, Certified Public Accountants, Hong Kong. As described in the section headed "Documents delivered and available for Inspection" in Appendix V, a copy of the accountants' report is available for inspection.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

30th July, 2002

The Directors
Inno-Tech Holdings Limited
Hantec Capital Limited

Dear Sirs,

We set out below our report on the financial information relating to Inno-Tech Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the two years ended 31st March, 2001 and 2002 (the "relevant period") for inclusion in the prospectus of the Company dated 30th July, 2002 (the "Prospectus").

The Company was incorporated in Bermuda on 19th November, 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Pursuant to a group reorganisation (the "Reorganisation"), as detailed in the paragraph headed "Corporate Reorganisation" in Appendix IV of the Prospectus which was completed on 5th July, 2002, the Company became the holding company of the subsidiaries now comprising the Group, details of which are set out in section A below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

We have acted as auditors of the companies now comprising the Group throughout the relevant period, details of which are set out in section A below.

No audited financial statements have been prepared by the Company since its incorporation as it has not carried on any business other than the transactions related to the reorganisation. In addition, no audited financial statements have been prepared for Cyberliving Holdings Limited, Ying Wai Trading Limited and Leading Pro Trading Limited as there are no statutory audit requirements for these companies. We have, however, reviewed all significant transactions of these companies from their respective dates of incorporation to 31st March, 2002 for the purpose of this report.

We have examined the audited financial statements or, where appropriate, unaudited management accounts of the respective companies comprising the Group (as reflected in section A of this report) for the relevant period or since their respective dates of incorporation where there is a shorter period in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the Hong Kong Society of Accountants. We have not audited any financial statements of the companies comprising the Group in respect of any period subsequent to 31st March, 2002.

The directors of the respective companies of the Group are responsible for preparing these financial statements, which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

The directors of the Company are responsible for the preparation of the combined balance sheets of the Group as at 31st March, 2001 and 31st March, 2002 and the related combined profit and loss accounts, combined cash flow statements and combined statements of recognised gains and losses for the relevant period, together with the notes thereto as set out in sections C to E below (the "Financial Information"). The Financial Information as set out in this report has been prepared based on the audited or, where appropriate, management accounts of the companies now comprising the Group, after making such adjustments as we consider appropriate and on the basis set out in section A below.

It is our responsibility to form an independent opinion on the Financial Information.

In our opinion, for the purpose of this report, and on the basis of presentation set out in section A, all adjustments considered necessary have been made and the Financial Information gives a true and fair view of the combined results and cash flows of the Group for the relevant period and of the combined state of affairs of the Group as at 31st March, 2001 and 31st March, 2002.

A BASIS OF PRESENTATION

The combined profit and loss accounts, cash flow statements and statements of recognised gains and losses of the Group as set out in sections B(1), B(3) and B(4) respectively include the results of the companies comprising the Group for the relevant period (or where the companies were incorporated at a date later than 1st April, 2000, for the period from the date of incorporation to 31st March, 2002) as if the current group structure had been in existence throughout the entire relevant period. The combined balance sheets of the Group as at 31st March, 2001 and 31st March, 2002 as set out in section B(2) have been prepared to present the assets and liabilities of the Group as if the current group structure had been in existence as at the respective balance sheet dates.

All material intra-group transactions and balances have been eliminated on combination.

At the date of this report, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies (or, if incorporated outside Hong Kong, have substantially the same characteristics of a Hong Kong private company):

Name of company	Place and date of incorporation	Percentage of equity			Issued/ registered capital	Principal activities
		Group's effective holding	Held by the Company	Held by subsidiary		
Cyberliving Holdings Limited	British Virgin Islands ("BVI") 19th May, 2000	100%	100%	–	US\$14,000	Investment holding
Cyberliving (Hong Kong) Co Limited	Hong Kong 15th March, 2000	100%	–	100%	HK\$4	Leasing of office premises
Cyberinfo Management Limited	Hong Kong 1st September, 1999	100%	–	100%	HK\$6	Provision of management and maintenance of network services
Ying Wai Trading Limited	BVI 15th March, 2000	100%	–	100%	US\$1	Investment holding
Leading Pro Trading Limited	BVI 15th March, 2000	100%	–	100%	US\$1	Investment holding
Cyberworks Technology Limited	Hong Kong 23rd August, 1999	100%	–	100%	HK\$4	Provision of systems design and integration services
Cyberweb Services Limited	Hong Kong 22nd March, 2000	100%	–	100%	HK\$4	Provision of e-commerce services

B COMBINED FINANCIAL STATEMENTS**1 Combined Profit and Loss Accounts**

The following is a summary of the combined results of the Group for the relevant period prepared on the basis set out in section A above:

		Year ended 31st March,	
	<i>Section C</i>	2001	2002
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	1,252	19,461
Cost of services		(287)	(2,161)
Gross profit		965	17,300
Other revenue	3	42	1
Research and development costs		(1,347)	(240)
Marketing and promotion expenses		(1,380)	(1,013)
Administrative expenses		(2,941)	(3,059)
(Loss)/profit from operations		(4,661)	12,989
Finance cost		–	(33)
(Loss)/profit from ordinary activities before taxation	4	(4,661)	12,956
Taxation	5(a)	753	(2,074)
(Loss)/profit attributable to shareholders		(3,908)	10,882
Accumulated losses brought forward		(341)	(4,249)
(Accumulated losses)/retained profits carried forward		(4,249)	6,633
Dividend			
Final dividend proposed after the balance sheet date		–	4,000
(Loss)/earnings per share – basic	8	(1.02) cents	2.83 cents

2 Combined Balance Sheets

The following is a summary of the combined balance sheets of the Group as at 31st March, 2001 and 31st March, 2002, prepared on the basis set out in section A above:

		At 31st March,	
	<i>Section C</i>	2001	2002
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Fixed assets	<i>11</i>	296	304
Intangible assets	<i>12</i>	–	1,800
Deferred taxation	<i>5(c)</i>	818	–
		<u>1,114</u>	<u>2,104</u>
Current assets			
Accounts receivable	<i>13</i>	–	7,810
Prepayments and other receivables		72	3,320
Cash and cash equivalents	<i>14</i>	274	5,355
		<u>346</u>	<u>16,485</u>
Total current assets			
Current liabilities			
Bank overdrafts (secured)	<i>15</i>	–	3,502
Accrued expenses and other payables		1,394	1,273
Taxation	<i>5(b)</i>	–	937
		<u>1,394</u>	<u>5,712</u>
Total current liabilities			
Net current (liabilities) /assets		<u>(1,048)</u>	<u>10,773</u>
Non-current liability			
Deferred taxation	<i>5(c)</i>	–	319
		<u>66</u>	<u>12,558</u>
Net assets			
Capital and reserves			
Share capital	<i>16</i>	87	109
Reserves	<i>17</i>	(21)	12,449
		<u>66</u>	<u>12,558</u>

3 Combined Cash Flow Statements

The following is a summary of cash flow statements of the Group for the relevant period prepared on the basis set out in section A above:

		Year ended 31st March,	
	<i>Section C</i>	2001	2002
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (outflow)/inflow from operating activities	<i>18(i)</i>	(3,747)	3,217
Returns on investments and servicing of finance			
Interest received		42	1
Interest paid		—	(33)
		<u>42</u>	<u>(33)</u>
Net cash inflow/(outflow) from returns on investment and servicing of finance		<u>42</u>	<u>(32)</u>
Investing activities			
Payment for purchase of fixed assets		(336)	(80)
Payment for purchase of intangible assets		—	(3,136)
Pledged bank deposits		—	(3,500)
		<u>(336)</u>	<u>(3,500)</u>
Net cash outflow from investing activities		<u>(336)</u>	<u>(6,716)</u>
Net cash outflow before financing		<u>(4,041)</u>	<u>(3,531)</u>
Financing			
Issuance of shares	<i>18(ii)</i>	4,315	1,610
		<u>4,315</u>	<u>1,610</u>
Net cash inflow from financing		<u>4,315</u>	<u>1,610</u>
Increase/(decrease) in cash and cash equivalents		274	(1,921)
Cash and cash equivalents at the beginning of the year		—	274
Cash and cash equivalents at the end of the year	<i>18(iii)</i>	<u>274</u>	<u>(1,647)</u>

4 Combined Statements of Recognised Gains and Losses

The following is a summary of the combined statements of recognised gains and losses of the Group for the relevant period prepared on the basis set out in section A above:

	<i>Section C Note</i>	Year ended 31st March,	
		2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Shares issuance expenses	17	(1,364)	–
Net (loss)/profit for the year		<u>(3,908)</u>	<u>10,882</u>
Total recognised (losses)/gains		<u><u>(5,272)</u></u>	<u><u>10,882</u></u>

C NOTES TO THE COMBINED FINANCIAL STATEMENTS

1 Principal Accounting Policies

The principal accounting policies adopted by the Group in arriving at the Financial Information included in this report are set out below.

(a) Basis of preparation

The Financial Information has been prepared in accordance with the accounting policies set out below. These accounting policies would be acceptable under accounting principles generally accepted in Hong Kong. The Financial Information conforms with the disclosure requirements of the Listing Rules of the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as applicable to Accountants' Reports included in Listing Documents.

The measurement basis used in the preparation of the Financial Information is historical cost.

(b) Fixed assets

(i) Valuation

Fixed assets are stated in the combined balance sheets at cost less accumulated depreciation and impairment losses (see note 1(d)).

Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(ii) Depreciation

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives on a straight-line basis as follows:

Furniture and fixtures	5 years
Office equipment	5 years

(iii) Disposals

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the combined profit and loss accounts on the date of retirement or disposal.

(c) Intangible assets (other than goodwill)*(i) Valuation*

Intangible assets (other than goodwill) that are acquired by the Group are stated in the combined balance sheets at cost less accumulated amortisation and impairment losses (see note 1(d)).

Subsequent expenditure on an intangible asset after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

(ii) Amortisation

Amortisation of intangible assets is charged to the combined profit and loss accounts on a straight-line basis over the assets' estimated useful lives as follows:

– Computer software	5 years
---------------------	---------

(d) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets; and
- intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the combined profit and loss accounts in the year in which the reversals are recognised.

(e) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the combined profit and loss accounts as follows:

(i) Residential intranet and software application design services

Revenue arising from the provision of residential intranet and software application design services is recognised when the underlying services are rendered, which is estimated by apportionment over the expected duration of each engagement, and the outcome of the contract can be estimated with reasonable certainty.

(ii) Interest income

Interest income is taken up on an accruals basis.

(f) Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Research costs are recognised as an expense in the period in which they are incurred. Development costs are recognised as an expense in the period in which they are incurred unless their recovery from closely related revenue or cost savings is probable. Such development costs are deferred and written off over the life of the relevant projects from the date of commencement of commercial operations subject to a maximum of five years.

(g) Deferred taxation

Deferred taxation is calculated under the liability method in respect of the taxation effect arising from all material timing difference between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(h) Translation of foreign currencies

Foreign currency transactions during the relevant period are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the combined profit and loss accounts.

(i) Operating leases

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the combined profit and loss accounts in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the combined profit and loss accounts as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the combined profit and loss accounts in the accounting period in which they are incurred.

(j) Retirement benefits

Contributions to retirement benefit schemes are charged to the combined profit and loss accounts as and when incurred.

(k) Related parties

For the purposes of this report, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statements.

2 Turnover

The Company acts as an investment holding company and the Group is principally engaged in the design of residential intranet and the provision of e-property management software application consulting and related services. Turnover represents the amount received and receivable for the provision of residential intranet and software application design services.

The Group's turnover and operating profit are entirely derived from the design of residential intranet and software application design, development and installation services rendered in Hong Kong. Accordingly, the directors consider that analyses by business and geographical segments are not required.

3 Other Revenue

Other revenue represents bank interest income.

4 (Loss)/Profit from Ordinary Activities before Taxation

(Loss)/profit from ordinary activities before taxation is arrived at after charging:

	Year ended 31st March,	
	2001	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Finance cost:		
Interest on bank advances wholly repayable within five years	–	33
	<u>–</u>	<u>33</u>
(ii) Other items:		
Auditors' remuneration	100	100
Staff costs	3,422	3,864
Amortisation of intangible assets	–	200
Depreciation	40	72
Operating lease charges in respect of		
– hire of office equipment	–	24
– hire of office premises	210	279
Retirement costs	32	80
	<u>32</u>	<u>80</u>
Average number of staff	9	13
	<u>9</u>	<u>13</u>

Research and development costs comprise staff costs of HK\$1,167,000 and HK\$Nil for the two years ended 31st March, 2001 and 31st March, 2002 respectively, which are also included in the total amount of staff costs disclosed above.

5 Taxation

(a) Taxation in the combined profit and loss accounts represents:

	Year ended 31st March,	
	2001	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for Hong Kong Profits Tax	–	937
Deferred taxation (<i>Note 5(c)</i>)	(753)	1,137
	<u>(753)</u>	<u>1,137</u>
	<u>(753)</u>	<u>2,074</u>

The provision for Hong Kong Profits Tax for the year ended 31st March, 2002 is calculated at 16% of the estimated assessable profits arising in Hong Kong for the year. No provision for Hong Kong Profits Tax has been made for the year ended 31st March, 2001 as the Group did not have estimated assessable profits subject to Hong Kong Profits Tax.

(b) Taxation in the combined balance sheets comprises:

	As at 31st March,	
	2001	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for Hong Kong Profits Tax	–	937
	<u>–</u>	<u>937</u>

(c) **Deferred taxation**

(i) Movements in deferred taxation comprise:

	As at 31st March,	
	2001	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	(65)	(818)
Transfer (to)/from the profit and loss account (<i>note 5(a)</i>)	(753)	1,137
	<u> </u>	<u> </u>
At the end of the year	<u>(818)</u>	<u>319</u>

(ii) Major components of deferred tax assets/(liabilities) of the Group are set out below:

	As at 31st March,	
	2001	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax losses	848	–
Depreciation allowances in excess of related depreciation	(30)	(319)
	<u> </u>	<u> </u>
	<u>818</u>	<u>(319)</u>

There was no material deferred taxation not provided for at each balance sheet date.

6 Dividends

No dividends have been paid or declared by the Company since its incorporation. Subsequent to 31st March, 2002, a dividend of HK\$4,000,000 was declared by a subsidiary of the Group to its then equity owners. The final dividend declared after 31st March, 2002 has not been recognised as a liability at 31st March, 2002.

7 Directors' remuneration

Details of directors' remuneration are as follows:

	Year ended 31st March,	
	2001	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	–	–
Basic salaries, allowances and other benefits	1,942	2,400
Discretionary bonuses	–	–
Retirement benefits	12	39
	<u> </u>	<u> </u>
	<u>1,954</u>	<u>2,439</u>
	<u> </u>	<u> </u>
Number of directors	<u>6</u>	<u>6</u>

Emoluments of each of the six directors amounted to approximately HK\$646,000, HK\$529,000, HK\$472,000, HK\$307,000, HK\$Nil and HK\$Nil for the year ended 31st March, 2001 and approximately HK\$612,000, HK\$612,000, HK\$612,000, HK\$603,000, HK\$Nil and HK\$Nil for the year ended 31st March, 2002.

No remuneration was paid or payable to the two independent non-executive directors during the years ended 31st March, 2001 and 2002.

Of the five highest paid individuals during the relevant period, four are directors whose emoluments are all within the band of HK\$Nil to HK\$1,000,000. The aggregate of the emoluments in respect of the other one individual is as follows:

	Year ended 31st March,	
	2001	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries, allowances and other benefits	640	600
Retirement benefits	4	12
	<u>644</u>	<u>612</u>

During the relevant period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No directors have waived or agreed to waive any emoluments during the relevant period.

8 (Loss)/Earnings per Share

The calculation of the basic (loss)/earnings per share for each year is based on the (loss)/profit attributable to shareholders during the respective year and on the 384,000,000 shares of the Company outstanding after the Group's Reorganisation and Capitalisation Issue as described in Appendix IV to this Prospectus, and the shares were outstanding throughout the relevant period.

There were no potential dilutive ordinary shares in issue during the relevant period.

9 Retirement Benefits

The Group participates in a Mandatory Provident Fund ("MPF"), managed by an independent approved MPF trustee, which provides retirement benefits to all the Group's employees in Hong Kong. Pursuant to the Mandatory Provident Fund Schemes Ordinance, the minimum requirement of mandatory contributions from employers and each of the employees is calculated at 5 per cent. of the employees' basic salaries.

The Group does not operate any other scheme for retirement benefits provided to the Group's employees.

10 Related Party Transactions

The following represents a summary of material transactions during the relevant period between the Group and related parties identified by the directors:

		Year ended 31st March,	
		2001	2002
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Design fee paid	(i)	165	–
Administrative fee paid	(ii)	24	–
Payments on behalf of the Group	(iii)	274	–
		<u>463</u>	<u>–</u>

Notes:

- (i) This represents payments to PCIM Limited for design services provided to the Group. Mr Chow Kam Wing, a former director of the Company, is a director and a beneficial shareholder of PCIM Limited.
- (ii) This represents payments to Land First Holdings Limited for the use of office and facilities during the relevant period. Ms Wong Yuen Yee, a director of the Company, is a director and a beneficial shareholder of Land First Holdings Limited.
- (iii) These represent payments made by Ms Wong Yuen Yee, a director of the Company, on behalf of the Group during the relevant period.

Included in accrued expenses and other payables are amounts due from directors of HK\$608,000 and HK\$Nil as at 31st March, 2001 and 2002 respectively. The amounts are unsecured, interest-free and repayable on demand.

The directors of the Company are of the opinion that the above transactions with related parties were conducted on normal commercial terms and in the ordinary course of business and have confirmed that the above transactions will not continue in the future after the listing of the shares of the Company.

11 Fixed Assets

	Cost <i>HK\$'000</i>	Accumulated depreciation <i>HK\$'000</i>	Net book value <i>HK\$'000</i>
Furniture and fixtures	138	17	121
Office equipment	198	23	175
	<u> </u>	<u> </u>	<u> </u>
At 31st March, 2001	336	40	296
	<u> </u>	<u> </u>	<u> </u>
Furniture and fixtures	138	44	94
Office equipment	278	68	210
	<u> </u>	<u> </u>	<u> </u>
At 31st March, 2002	416	112	304
	<u> </u>	<u> </u>	<u> </u>

12 Intangible Assets

	Cost <i>HK\$'000</i>	Accumulated amortisation <i>HK\$'000</i>	Net book value <i>HK\$'000</i>
Computer software	—	—	—
	<u> </u>	<u> </u>	<u> </u>
At 31st March, 2001	—	—	—
	<u> </u>	<u> </u>	<u> </u>
Computer software	2,000	200	1,800
	<u> </u>	<u> </u>	<u> </u>
At 31st March, 2002	2,000	200	1,800
	<u> </u>	<u> </u>	<u> </u>

13 Accounts Receivable

Customers are generally granted with credit terms of one to three months. An ageing analysis of the accounts receivable (net of provisions for bad and doubtful debts) is as follows:

	As at 31st March,	
	2001	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	—	3,476
Aged over 1 month but less than 3 months	—	4,334
	<u> </u>	<u> </u>
	—	7,810
	<u> </u>	<u> </u>

The amount due from a major customer accounted for approximately 31% of the accounts receivable as at 31st March, 2002.

14 Cash and Cash Equivalents

	As at 31st March,	
	2001	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits with banks maturing within three months of placement	—	5,335
Cash at bank and in hand	274	20
	<u> </u>	<u> </u>
	274	5,355
	<u> </u>	<u> </u>

15 Bank Overdraft (Secured)

At 31st March, 2002, the bank overdraft of HK\$3,502,000 was secured by the Group's bank deposits of HK\$3,500,000.

16 Share Capital

Share capital represents the aggregate amount of the nominal value of the issued share capital of the companies comprising the Group.

17 Reserves

Movements in reserves of the companies now comprising the Group during the relevant period are set out below:

	Merger reserves <i>HK\$'000</i>	(Accumulated losses)/ retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2000	–	(341)	(341)
Movements during the year	5,592	–	5,592
Shares issuance expenses	(1,364)	–	(1,364)
Loss for the year	–	(3,908)	(3,908)
	<u>4,228</u>	<u>(4,249)</u>	<u>(21)</u>
At 31st March, 2001	4,228	(4,249)	(21)
At 1st April, 2001	4,228	(4,249)	(21)
Movements during the year	1,588	–	1,588
Profit for the year	–	10,882	10,882
	<u>5,816</u>	<u>6,633</u>	<u>12,449</u>
At 31st March, 2002	5,816	6,633	12,449

Merger reserves represent the amount of reserves of subsidiaries that have been capitalised as a result of share-for-share exchanges.

18 Notes to the Combined Cash Flow Statements

- (i) Reconciliation of (loss)/profit from ordinary activities before taxation to net cash (outflow)/inflow from operating activities:

	Year ended 31st March,	
	2001	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit from ordinary activities before taxation	(4,661)	12,956
Interest income	(42)	(1)
Interest expense	–	33
Depreciation and amortisation	40	272
Increase in accounts receivable	–	(7,810)
Increase in prepayments and other receivables	(72)	(2,112)
Increase/(decrease) in accrued expenses and other payables	988	(121)
	<u>(3,747)</u>	<u>3,217</u>
Net cash (outflow)/inflow from operating activities	(3,747)	3,217

- (ii) Analysis of changes in financing

	Share Capital <i>HK\$'000</i>	Merger Reserves <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2000	–	–	–
Cash flows from financing	87	4,228	4,315
	<u>87</u>	<u>4,228</u>	<u>4,315</u>
At 31st March, 2001	87	4,228	4,315
At 1st April, 2001	87	4,228	4,315
Cash flows from financing	22	1,588	1,610
	<u>109</u>	<u>5,816</u>	<u>5,925</u>
At 31st March, 2002	109	5,816	5,925

(iii) Analysis of cash and cash equivalents:

	As at 31st March,	
	2001	2002
	HK\$'000	HK\$'000
Deposits with banks maturing within three months of placement	274	5,355
Less: Pledged bank deposits	—	(3,500)
	<u>274</u>	<u>1,855</u>
Bank overdrafts	—	(3,502)
	<u>—</u>	<u>—</u>
Cash and cash equivalents in the combined cash flow statements	<u>274</u>	<u>(1,647)</u>

19 Commitments

(i) Commitments under operating leases

The Group had total future minimum lease payments under non-cancellable operating leases in respect of office premises and office equipment as follows:

	As at 31st March,	
	2001	2002
	HK\$'000	HK\$'000
Less than one year	363	169
Between one and five years	124	141
	<u>487</u>	<u>310</u>

(ii) Capital commitments

Capital commitments outstanding at 31st March, 2001 and 31st March, 2002 not provided for in the Financial Information were as follows:

	As at 31st March,	
	2001	2002
	HK\$'000	HK\$'000
Contracted for	<u>1,950</u>	<u>1,421</u>

D SUBSEQUENT EVENTS

The following significant events took place subsequent to 31st March, 2002:

i Dividends

Subsequent to 31st March, 2002 and up to the date of this report, a dividend of HK\$4,000,000 was declared by a subsidiary of the Group to its then equity owners. The dividend declared after 31st March, 2002 has not been recognised as a liability at 31st March, 2002.

ii Share option scheme

Pursuant to a written resolution of the shareholders of the Company on 5th July, 2002, the shareholders have conditionally approved a Pre-IPO Share Option Scheme and a Post-IPO Share Option Scheme. The principal terms of the Share Option Schemes are set out in Appendix IV to this Prospectus.

iii Group reorganisation

The companies now comprising the Group underwent a Reorganisation to rationalise the Group's structure in preparation for the listing of the Company's shares on GEM of the Stock Exchange. Further details of the Reorganisation are set out in the paragraph headed "Corporate Reorganisation" in Appendix IV to the Prospectus.

E INFORMATION RELATING TO THE COMPANY**i Distributable reserves**

The Company was incorporated on 19th November, 2001 and has not carried on any business since its incorporation. Accordingly, the Company had no reserve available for distribution to shareholders as at 31st March, 2002.

On the basis set out in section A above, the aggregate amounts of distributable reserve at 31st March, 2002 of the companies comprising the Group, was HK\$6,633,000.

ii Net assets of the Company

On the basis set out in section A above, the net assets of the Company as at 31st March, 2002, amounted to HK\$12,558,000 and were represented by its interest in subsidiaries.

iii Directors' remuneration

Save as disclosed herein, no remuneration has been paid or is payable in respect of the relevant period by the Company or any of the companies now comprising the Group to the directors of the Company.

Under the arrangement presently in force, the estimated aggregate amount of remuneration of the directors of the Company payable for the year ending 31st March, 2003 is approximately HK\$4,200,000 excluding management bonuses which are payable at the Group's discretion.

iv Subsequent financial statements

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31st March, 2002.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong



Member of RHL International Property Consultants
永利行國際物業顧問集團成員

RHL Appraisal Ltd.
永利行評值顧問有限公司

Surveyors, Valuers, Land & Property Consultants

30th July, 2002

The Directors

Inno-Tech Holdings Limited

Room 2303 on 23rd Floor
Tung Wai Commercial Building
Nos. 109-111 Gloucester Road
Wan Chai
Hong Kong

Dear Sirs,

Re: Valuation of Room 2303 (being a portion of Offices Nos. 01-04 and Lavatories) on 23rd Floor, Tung Wai Commercial Building, Nos. 109-111 Gloucester Road, Wan Chai, Hong Kong

1. INSTRUCTION

In accordance with your instructions for us to value the captioned property interests of Inno-Tech Holdings Limited (referred to as the “Company”) and its subsidiaries (together referred to as the “Group”) situated in Hong Kong, we confirm that we have carried out property inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the open market value of such property interests as at 31st May, 2002 (referred to as the “valuation date”).

This letter, which forms part of our valuation report, explains the basis and methodology of valuation and sets out the assumptions made and other qualifications.

2. BASIS OF VALUATION

Our valuation is our opinion of the open market value which we would define as intended to mean “the best price at which the sale of an interest in the property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (i) a willing seller;
- (ii) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- (iii) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (iv) that no account is taken of any additional bid by a prospective purchaser with a special interest; and

- (v) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

The property interests which are held by the Group under a short term lease has no commercial value due either to the prohibition against assignment or subletting or to the lack of substantial profit rent.

3. ASSUMPTION

Our valuation has been made on the assumption that the owner sells the property interests on the open market in their existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of the property interests.

4. TITLE INVESTIGATION

We have been provided with a copy of the duly stamped tenancy agreement relating to the property which has been signed by the landlord and the Group. In addition, we have been confirmed by the legal advisor to the Group that the tenancy relating to the property is valid and enforceable. All documents stated herein have been used for reference only.

5. LIMITING CONDITIONS

We have inspected the exterior of the property valued and, where possible, we have also inspected the interior of the property but no structural survey has been made. In the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services. All dimensions, measurements and areas are approximations.

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us by the Group on such matters as statutory notices, easements, tenure, occupation, tenancy details, floor areas and in the identification of the property rented by the Group.

We have no reason to doubt the truth and accuracy of the information as provided to us by the Group. We have relied on the Group's confirmation that no material facts have been omitted from the information supplied.

We enclose herewith the valuation certificate.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Serena S.W. Lau
AHKIS AAPI RPS (GP)
Managing Director

Tse Wai Leung
BSc MRICS AHKIS RPS(GP)
Director

Serena S. W. Lau, who is an Associate of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute and a Registered Professional Surveyor in General Practice, and Tse Wai Leung, who is a member of the Royal Institution of Chartered Surveyors, an Associate of the Hong Kong Institute of Surveyor and a Registered Professional Surveyor in General Practice, have over six years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st May, 2002
Room 2303 (being a portion of Offices Nos. 01-04 and Lavatories) on 23rd Floor, Tung Wai Commercial Building, Nos. 109-111 Gloucester Road, Wan Chai, Hong Kong	<p>The property comprises an office unit on 23rd floor of a 29-storey commercial building completed in 1983.</p> <p>The gross floor area of the property is approximately 1,685 square feet.</p> <p>The property is rented by the Group for a term of two years commencing on 4th August, 2000 and expiring on 3rd August, 2002 at a monthly rent of HK\$23,253 exclusive of rates and management charges.</p>	The property is occupied by the Group as an office.	No commercial value

Note:

1. As revealed by the Tenancy Agreement dated 10th October, 2000, the tenant of the property is Dragon Cyberwork Limited (now known as Cyberliving (Hong Kong) Company Limited) which is a wholly-owned subsidiary of the Company.
2. As advised, the Group is in the course of negotiation with the landlord for a new tenancy. (please refer to paragraph headed "Property Interests and Other Assets "in the section headed "Financial Information" for detail)

Set out below is a summary of certain provisions of the memorandum of association (the “Memorandum of Association”) and bye-laws (the “Bye-laws”) of the Company and of certain aspects of Bermuda company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed, including acting as a holding and investment company, and its powers, including the powers set out in the First Schedule to the Companies Act, excluding paragraph 8 thereof. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of Directors (the “board”) upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws were adopted on 5th July, 2002. The following is a summary of certain provisions of the Bye-laws:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed “Bermuda Company Law” in this Appendix.

(v) Financial assistance to purchase shares of the Company

Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Companies Act.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company

or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board in respect of any contract or arrangement or other proposal in which he is to his knowledge materially interested but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving of any security or indemnity to the Director in respect of money lent or obligations incurred or undertaken by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving by the Company of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director has himself assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any contract or arrangement in which the Director is interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which he is interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director together with any of his associates (as defined by the rules, where applicable, of any Designated Stock Exchange (as defined in the Bye-laws)) is beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest is derived); or
- (ff) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

(vii) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not greater than one third) will retire from office by rotation provided that no Director holding office as chairman and/or managing director shall be subject to retirement by rotation, or be taken into account in determining the number of Directors to retire. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by a special resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director 14 days before the meeting and, at such meeting, such Director shall

be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) Borrowing powers

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

(b) Alterations to constitutional documents

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;
- (v) change the currency denomination of its share capital;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or any share premium account or other undistributable reserve in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons (or in the case of a member being a corporation, its duly authorised representative) holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person (or in the case of a member being a corporation, its duly authorised representative) or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

(e) Special resolution-majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

(f) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a show of hands, every member who is present in person (or being a corporation, is present by its duly authorised representative) or by proxy shall have one vote and on a poll every member present in person or by proxy or, being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

Notwithstanding anything contained in the Bye-laws, where more than one proxy is appointed by a member which is a clearing house (as defined in the Bye-laws) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including the right to vote individually on a show of hands.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least 21 days before the date of the general meeting and laid before the Company in general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least 21 clear days' notice in writing, and any other special general meeting shall be called by at least 14 clear days' notice (in each case exclusive of the day on which the notice is given or deemed to be given and of the day for which it is given or on which it is to take

effect). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for the Company to purchase its own shares

The Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Call on shares and forfeiture of shares

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than 14 clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding 20 per cent. per annum as the board determines.

(p) Inspection of register of members

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members without charge, or by any other person upon a maximum payment of five Bermuda dollars, at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act or, upon a maximum payment of \$10, at the Registration Office (as defined in the Bye-laws), unless the register is closed in accordance with the Companies Act.

(q) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Other provisions

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon on every business day.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association may be altered by the Company in general meeting. In certain circumstances, consent to the alteration must be obtained from the Minister of Finance of Bermuda. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of 21 clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”, to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account were paid up share capital of the company except that the share premium account may be applied by the company:

- (i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (ii) in writing off:
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

However, only premiums arising on the same class of shares can be used to pay up bonus shares or in providing for the premiums payable on redemption of shares referred to in (i) and (iii) above respectively.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount such as the payment of minor costs. In addition, the Companies Act expressly permits the grant of financial assistance where (i) the financial assistance does not reduce the company's net assets or, to the extent the net assets are reduced, such financial assistance is provided for out of funds of the company which would otherwise be available for dividend or distribution; (ii) an affidavit of solvency is sworn by the directors of the company; and (iii) the financial assistance is approved by resolution of shareholders of the company.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased will be treated as cancelled and the company's issued but not its authorised, capital will be diminished accordingly.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Companies Act. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye-laws of the company.

(g) Accounting and auditing requirements

The Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least seven days before the general meeting of the company at which the financial statements are to be tabled.

(h) Auditors

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than 21 days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than 7 days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within 15 days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as "non-resident" for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and warrants by the company and the subsequent transfer of such shares and warrants. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and warrants in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

Permission of the Bermuda Monetary Authority will normally be granted for the issue and transfer of shares and warrants to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as the shares and warrants are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as "resident" for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the

Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 28th March, 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving “Bermuda property”. This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a 20 per cent. interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting if the loan is not approved at or before such meeting. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company’s certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company’s memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company’s audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two hours during business hours each day. The register of members of a company is open for inspection by members without charge and to members of the general public for a fee. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may require a copy of the register of members or any part thereof which must be provided within fourteen days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two hours in each day by members of the public without charge.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES**Incorporation**

The Company was incorporated in Bermuda under the Companies Act as an exempted company with limited liability on 19th November, 2001. The Company has established a place of business in Hong Kong at Room 2303, Tung Wai Commercial Building, Nos. 109-111 Gloucester Road, Wanchai, Hong Kong and was registered on 1st March, 2002 as an overseas company in Hong Kong under Part XI of the Companies Ordinance. Ms. YY Wong and Mr. Wong Yao Wing, Robert were appointed as the agents of the Company for the acceptance of service of process in Hong Kong. The respective addresses of Ms. Y Y Wong and Mr. Wong Yao Wing, Robert for the aforesaid purposes are Flat 2403, Harbour View Garden, Tower 1, 1B Sands Street, Hong Kong and Flat 27D, Block 4, The Tolo Place, Ma On Shan, Shatin, New Territories, Hong Kong. As the Company is incorporated in Bermuda, it operates subject to Bermuda company law and to its constitution which comprises the memorandum of association and the bye-laws. A summary of various provisions of its constitution and relevant aspects of Bermuda company law and taxation is set out in Appendix III to this prospectus.

Changes in share capital

At the date of incorporation of the Company, its authorised share capital was \$100,000 divided into 10,000,000 Shares, all of which were allotted and issued nil paid to Ms. YY Wong at the meeting of the provisional Directors of the Company held on 20th November, 2001.

Pursuant to the written resolutions of the sole shareholder of the Company dated 5th July, 2002 as referred to in the paragraph headed “Written resolutions of the sole shareholder of the Company” below, (i) the authorised share capital of the Company was increased from \$100,000 to \$100,000,000 by the creation of additional 9,990,000,000 Shares; and (ii) the acquisition by the Company of the entire issued share capital of CHL was approved and the Directors were authorised (i) to allot and issue an aggregate of 20,000,000 shares of \$0.01 each in the share capital of the Company, credited as fully paid as to 5,069,000 Shares to Multiturn Trading Limited or its nominee(s), 600,000 Shares to East Excellence Ltd. or its nominee(s), 600,000 Shares to Best Approach Limited or its nominee(s), 279,000 Shares to Winly Group Ltd. or its nominee(s), 90,000 Shares to Workforce Advantage Limited or its nominee(s), 4,500,000 Shares to Remy Investment Limited or its nominee(s), 2,142,000 Shares to Sinopower Profits Limited or its nominee(s), 498,000 Shares to Oriental Faith Technology Limited or its nominee(s), 423,000 Shares to Pok Sun Enterprises Limited or its nominee(s), 168,000 Shares to Direct Up Finance Limited or its nominee(s), 276,000 Shares to Insight Finance Limited or its nominee(s), 48,000 Shares to Wide Move Finance Limited or its nominee(s), 792,000 Shares to Innomore Assets Limited or its nominee(s), 249,000 Shares to Edgehill Industrial Limited or its nominees, 384,000 Shares to Superior IT Holdings Limited or its nominee(s), 237,000 Shares to Kai Yick Developments Limited or its nominee(s), 207,000 Shares to Busyway Profits Limited or its nominee(s), 1,692,000 Shares to Mr. Ip Kam Hoi or his nominee(s), 273,000 Shares to Ms. Chen Qi or her nominees(s), 288,000 Shares to Mr. Lai Ping Wah or his nominee(s), 288,000 Shares to Ms. Wong Shui Fun or her nominee(s), 288,000 Shares to Mr. Wong Chung Yu or his nominee(s), 72,000 Shares to Ms. Chow Wai Man, Grace or her nominee(s), 537,000 Shares to Ms. Shek Wai Fong or her nominee(s) and (ii) credit as fully paid at par the 10,000,000 Shares allotted and issued nil paid to Ms. YY Wong on 20th November, 2001.

On 9th July, 2002, Ms. YY Wong transferred 10,000,000 Shares to Multiturn Trading Limited in consideration of the allotment and issue of 100 shares of US\$1.00 each in Multiturn Trading Limited, credited as fully paid, as to 31 shares to Ms. YY Wong, 31 shares to Mr. Wong, 31 shares to Mr. Chow and 7 Shares to Mr. Lam.

Assuming that the Share Offer and the Capitalisation Issue become unconditional and the issue of Shares pursuant thereto are made (but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Pre-IPO Share Option Scheme or the Post-IPO Share Option Scheme), the authorised share capital of the Company will be \$100,000,000 divided into 10,000,000,000 Shares and the issued share capital of the Company will be \$4,800,000 divided into 480,000,000 Shares, each of which will be fully paid or credited as fully paid, and 9,520,000,000 Shares will remain unissued.

Other than pursuant to the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, the Directors have no present intention to issue any other part of the authorised but unissued share capital of the Company and, without the prior approval of the members in general meeting, no issue of Shares in the capital of the Company will be made which would effectively alter the control of the Company.

Save as aforesaid and as mentioned in the paragraph headed “Written resolutions of the sole shareholder of the Company dated 5th July, 2002” below, there has been no alteration in the share capital of the Company since its incorporation.

Written resolutions of the sole shareholder of the Company dated 5th July, 2002

By written resolutions of the sole shareholder of the Company dated 5th July, 2002:

- (a) the Company adopted the new bye-laws;
- (b) the authorised share capital of the Company was increased from \$100,000 to \$100,000,000 by the creation of an additional 9,990,000,000 Shares;
- (c) as a consideration for the acquisition by the Company of the entire issued share capital of CHL was approved and the Directors were authorised (i) to allot and issue an aggregate of 20,000,000 shares of \$0.01 each in the share capital of the Company, credited as fully paid as to 5,069,000 Shares to Multiturn Trading Limited or its nominee(s), 600,000 Shares to East Excellence Ltd. or its nominee(s), 600,000 Shares to Best Approach Limited or its nominee(s), 279,000 Shares to Wingly Group Ltd. or its nominee(s), 90,000 Shares to Workforce Advantage Limited or its nominee(s), 4,500,000 Shares to Remy Investment Limited or its nominee(s), 2,142,000 Shares to Sinopower Profits Limited or its nominee(s), 498,000 Shares to Oriental Faith Technology Limited or its nominee(s), 423,000 Shares to Pok Sun Enterprises Limited or its nominee(s), 168,000 Shares to Direct Up Finance Limited or its nominee(s), 276,000 Shares to Insight Finance Limited or its nominee(s), 48,000 Shares to Wide Move Finance Limited or its nominee(s), 792,000 Shares to Innomore Assets Limited or its nominee(s), 249,000 Shares to Edgehill Industrial Limited or its nominees, 384,000 Shares to Superior IT Holdings Limited or its nominee(s), 237,000 Shares to Kai Yick Developments Limited or its nominee(s), 207,000 Shares to Busyway Profits Limited or its nominee(s), 1,692,000 Shares to Mr. Ip Kam Hoi or his nominee(s), 273,000 Shares to Ms. Chen Qi or her nominees(s), 288,000 Shares to Mr. Lai Ping Wah or his nominee(s), 288,000 Shares to Ms. Wong Shui Fun or her nominee(s), 288,000 Shares to Mr. Wong Chung Yu or his nominee(s), 72,000 Shares to Ms. Chow Wai Man, Grace or her nominee(s), 537,000 Shares to Ms. Shek Wai Fong or her nominee(s) and (ii) credit as fully paid at par the 10,000,000 Shares allotted and issued nil paid to Ms. YY Wong on 20th November, 2001;

- (d) conditional on the conditions as stated in the paragraph headed “Conditions of the Share Offer” in the section headed “Structure of the Share Offer” herein:
 - (i) the Share Offer was approved and the Directors were authorised to allot and issue the Other Shares pursuant thereto; and
 - (ii) the rules of the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme were approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant thereto;
- (e) conditional on the share premium account of the Company being credited as a result of the Share Offer, \$3,540,000 of such amount was directed to be capitalised and applied in paying up in full at par 354,000,000 Shares for allotment and issue to holders of Shares on the register of members at the close of business on 5th July, 2002 (or as they may direct) in proportion as nearly as may be to their then existing holdings;
- (f) a general unconditional mandate was given to the Directors to allot, issue and deal with (otherwise than by way of rights issues, by virtue of scrip dividend schemes or similar arrangements in accordance with the bye-laws of the Company or pursuant to the exercise of any option which may be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, or any other share option scheme), Shares with an aggregate nominal value not exceeding (i) 20% of the aggregate nominal value of the share capital of the Company in issue and to be issued as mentioned herein and (ii) the aggregate nominal amount of Shares repurchased under the authority granted to the Directors referred to in paragraph (g) below, until the conclusion of the next annual general meeting of the Company, the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held, or the revocation or variation by an ordinary resolution of the shareholders of the Company in general meeting, whichever is the earlier; and
- (g) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued as mentioned herein, until the conclusion of the next annual general meeting of the Company, the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held, or the revocation or variation by an ordinary resolution of the shareholders of the Company in general meeting, whichever is the earlier.

Immediately following the Share Offer becoming unconditional and the issues of Shares as mentioned herein being made, the authorised share capital of the Company will be \$100,000,000 divided into 10,000,000,000 Shares and the issued share capital will be \$4,800,000 divided into 480,000,000 Shares, all fully paid or credited as fully paid and 9,520,000,000 Shares will remain unissued. Other than pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of the Company and no issue of Shares which would effectively alter the control of the Company will be made without the prior approval of members in general meeting.

Summary of changes in shareholding structure of CHL

The summary of the changes in shareholding structure of CHL is as follows:

(i) Shareholding structure as at 28th May, 2000

Shareholder	Allotment/Transfer of shares	Consideration per share	Shareholding after allotment/transfer	Number of shares after allotment/transfer
Ms. YY Wong	Allotment of 1 share	US\$1.00/\$7.80	50%	1
Mr. Wong	Allotment of 1 share	US\$1.00/\$7.80	50%	1
			<u>100%</u>	<u>2</u>

(ii) Shareholding structure as at 29th May, 2000

Shareholder	Allotment/Transfer of shares	Consideration per share	Shareholding after allotment/transfer	Number of shares after allotment/transfer
Ms. YY Wong	Allotment of 7,998 shares	US\$1.00/\$7.80	91.41%	7,999
Ms. Shek Wai Fong	Allotment of 250 shares	\$7.80	2.85%	250
Oriental Faith Technology Limited (<i>Note (xiv)</i>)	Allotment of 500 shares	\$7.80	5.71%	500
Mr. Wong	–	–	0.10%	1
			<u>100%</u>	<u>8,750</u>

(iii) Shareholding structure as at 22nd July, 2000

Shareholder	Allotment/Transfer of shares	Consideration per share	Shareholding after allotment/transfer	Number of shares after allotment/transfer
Ms. YY Wong	Transferred 3,997 shares to Multiturn Trading Limited	US\$1.00/\$7.80 (<i>See Note (vii)</i>)	<i>See Note (i)</i>	Nil
	Transferred 1,502 shares to Busyway Profits Limited	US\$1.00/\$7.80 (<i>See Note (vii)</i>)		
	Transferred 700 shares to City Support Trading Limited, an independent third party	US\$1.00/\$7.80 (<i>See Note (vii)</i>)		
	Transferred 700 shares to Nice Plan Development Limited	US\$1.00/\$7.80 (<i>See Note (vii)</i>)		
	Transferred 700 shares to Nanyin Investment Limited	US\$1.00/\$7.80 (<i>See Note (vii)</i>)		
	Transferred 400 shares to Mr. Ip Kam Hoi	US\$1.00/\$7.80 (<i>See Note (vii)</i>)		

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Shareholder	Allotment/Transfer of shares	Consideration per share	Shareholding after allotment/transfer	Number of shares after allotment/transfer
Mr. Wong	Transferred 1 share to Multiturn Trading Limited	US\$1.00/\$7.80	See Note (ii)	Nil
Oriental Faith Technology Limited (Note (xiv))	Acquired 250 shares from Active Voice Limited	\$6,000	7.5%	750
Active Voice Limited	Allotment of 250 shares	\$7.80	Nil	Nil
	Transferred 250 shares to Oriental Faith Technology Limited	\$6,000		
Sinopower Profits Limited (Note (xiv))	Allotment of 1,000 shares	\$5,600 (See Note (viii))	10%	1,000
Multiturn Trading Limited	Acquired 3,997 shares and 1 share from Ms. YY Wong and Mr. Wong respectively	US\$1.00/\$7.80	39.98%	3,998
Busyway Profits Limited	Acquired 1,502 shares from Ms. YY Wong	US\$1.00/\$7.80	15.02%	1,502
City Support Trading Limited	Acquired 700 shares from Ms. YY Wong	US\$1.00/\$7.80 (See Note (vii))	7%	700
Nice Plan Development Limited	Acquired 700 shares from Ms. YY Wong	US\$1.00/\$7.80 (See Note (vii))	7%	700
Nanyin Investment Limited	Acquired 700 shares from Ms. YY Wong	US\$1.00/\$7.80 (See Note (vii))	7%	700
Mr. Ip Kam Hoi	Acquired 400 shares from Ms. YY Wong	US\$1.00/\$7.80 (See Note (vii))	4%	400
Ms. Shek Wai Fong	–	–	2.5%	250
			100%	10,000

(iv) *Shareholding structure as at 24th October, 2000*

Shareholder	Allotment/Transfer of shares	Consideration per share	Shareholding after allotment/transfer	Number of shares after allotment/transfer
City Support Trading Limited	Transferred 700 shares to Remy Investment Limited	\$26,071.43 (satisfied by 25,000,000 shares of Plotio Holdings Limited (now known as HyComm Wireless Limited) at the issue price of \$0.73 (Note (ix))	Nil	Nil
Nice Plan Development Limited	Transferred 700 shares to Remy Investment Limited	\$26,071.43 (satisfied by 25,000,000 shares of Plotio Holdings Limited (now known as HyComm Wireless Limited) at the issue price of \$0.73 (Note (ix))	Nil	Nil
Nanyin Investment Limited	Transferred 700 shares to Remy Investment Limited	\$26,071.43 (satisfied by 25,000,000 shares of Plotio Holdings Limited (now known as HyComm Wireless Limited) at the issue price of \$0.73 (Note (ix))	Nil	Nil
Remy Investment Limited	Acquired an aggregate of 2,100 shares as to 700 shares from City Support Trading Limited, 700 shares from Nice Plan Development Limited and 700 shares from Nanyin Investment Limited	\$26,071.43 (Note (ix))	21%	2,100
Oriental Faith Technology Limited	–	–	7.50%	750
Sinopower Profits Limited	–	–	10%	1,000
Multiturn Trading Limited	–	–	39.98%	3,998
Busyway Profits Limited	–	–	15.02%	1,502
Mr. Ip Kam Hoi	–	–	4%	400
Ms. Shek Wai Fong	–	–	2.50%	250
			<u>100%</u>	<u>10,000</u>

(v) *Shareholding structure as at 25th October, 2000*

Shareholder	Allotment/Transfer of shares	Consideration per share	Shareholding after allotment/transfer	Number of shares after allotment/transfer
Ms. YY Wong	Allotment of 360 shares	US\$1.00/\$7.80	3.21%	360 (See Note (iii))
Mr. Wong	Allotment of 360 shares	US\$1.00/\$7.80	3.21%	360 (See Note (iv))
Mr. Chow	Allotment 360 shares	US\$1.00/\$7.80	3.21%	360
Mr. Lam	Allotment of 120 shares	US\$1.00/\$7.80	1.07%	120
Oriental Faith Technology Limited	–	–	6.70%	750
Sinopower Profits Limited	–	–	8.93%	1,000
Multiturn Trading Limited	–	–	35.70%	3,998
Busyway Profits Limited	–	–	13.41%	1,502
Rexy Investment Limited	–	–	18.75%	2,100
Mr. Ip Kam Hoi	–	–	3.57%	400
Ms. Shek Wai Fong	–	–	2.23%	250
			<u>100%</u>	<u>11,200</u>

(vi) *Shareholding structure as at 2nd May, 2001*

Shareholder	Allotment/Transfer of shares	Consideration per share	Shareholding after allotment/transfer	Number of shares after allotment/transfer
Ms. YY Wong	Transferred 360 shares to Multiturn Trading Limited	US\$1.00/\$7.80	Nil	Nil
Mr. Wong	Transferred 360 shares to Multiturn Trading Limited	US\$1.00/\$7.80	Nil	Nil
Mr. Chow	Transferred 360 shares to Multiturn Trading Limited	US\$1.00/\$7.80	Nil (See Note (v))	Nil
Mr. Lam	Transferred 120 shares to Multiturn Trading Limited	US\$1.00/\$7.80	Nil (See Note (vi))	Nil
Multiturn Trading Limited	Acquired 360 shares, 360 shares, 360 shares and 120 shares from Ms. YY Wong, Mr. Wong, Mr. Chow and Mr. Lam respectively	US\$1.00/\$7.80	44.85%	5,198

Shareholder	Allotment/Transfer of shares	Consideration per share	Shareholding after allotment/transfer	Number of shares after allotment/transfer
Busyway Profits Limited	Allotment of 390 shares	US\$1.00/\$7.80	3.50%	406
	Transferred 33 shares to Ms. Chow Wai Man Grace	\$12,121 (See Note (x))		
	Transferred 42 shares to Workforce Advantage Limited	\$11,905 (See Note (x))		
	Transferred 111 shares to Kai Yick Developments Limited	\$11,982 (See Note (x))		
	Transferred 128 shares to All South Resources Limited	\$12,000 (See Note (x))		
	Transferred 197 shares to Pok Sun Enterprises Limited	\$12,000 (See Note (x))		
	Transferred 129 shares to Direct Up Finance Limited	\$12,000 (See Note (x))		
	Transferred 129 shares to Insight Finance Limited	\$12,000 (See Note (x))		
	Transferred 22 shares to Wide Move Finance Limited	\$10,000 (See Note (xi))		
	Transferred 370 shares to Innomore Assets Limited	\$12,000 (See Note (x))		
	Transferred 129 shares to Superior IT Holdings Limited	\$12,000 (See Note (x))		
	Transferred 196 shares to Kwan Yiu Consultants Limited	\$12,000 (See Note (x))		
Ms. Chow Wai Man Grace	Acquired 33 shares from Busyway Profits Limited	\$12,121 (See Note (x))	0.28%	33
Workforce Advantage Limited	Acquired 42 shares from Busyway Profits Limited	\$11,905 (See Note (x))	0.36%	42
Kai Yick Developments Limited	Acquired 111 shares from Busyway Profits Limited	\$11,982 (See Note (x))	0.96%	111
All South Resources Limited	Acquired 128 shares from Busyway Profits Limited	\$12,000 (See Note (x))	1.10%	128
Pok Sun Enterprises Limited	Acquired 197 shares from Busyway Profits Limited	\$12,000 (See Note (x))	1.70%	197

Shareholder	Allotment/Transfer of shares	Consideration per share	Shareholding after allotment/transfer	Number of shares after allotment/transfer
Direct Up Finance Limited	Acquired 129 shares from Busyway Profits Limited	\$12,000 (See Note (x))	1.11%	129
Insight Finance Limited	Acquired 129 shares from Busyway Profits Limited	\$12,000 (See Note (x))	1.11%	129
Wide Move Finance Limited	Acquired 22 shares from Busyway Profits Limited	\$10,000 (See Note (xi))	0.19%	22
Innomore Assets Limited	Acquired 370 shares from Busyway Profits Limited	\$12,000 (See Note (x))	3.19%	370
Superior IT Holdings Limited	Acquired 129 shares from Busyway Profits Limited	\$12,000 (See Note (x))	1.11%	129
Kwan Yiu Consultants Limited	Acquired 196 shares from Busyway Profits Limited	\$12,000 (See Note (x))	1.69%	196
Oriental Faith Technology Limited	–	–	6.47%	750
Sinopower Profits Limited	–	–	8.63%	1,000
Rexy Investment Limited	–	–	18.12%	2,100
Mr. Ip Kam Hoi	–	–	3.45%	400
Ms. Shek Wai Fong	–	–	2.16%	250
			<u>100%</u>	<u>11,590</u>

(vii) *Shareholding structure as at 15th May, 2001*

Shareholder	Allotment/Transfer of shares	Consideration per share	Shareholding after allotment/transfer	Number of shares after allotment/transfer
Ms. YY Wong	Allotment of 650 shares	US\$1.00/\$7.80	Nil (See Note (iii))	Nil
	Transferred 650 shares to Multiturn Trading Limited	US\$1.00/\$7.80		
Mr. Wong	Allotment of 455 shares	US\$1.00/\$7.80	Nil (See Note iv))	Nil
	Transferred 455 shares to Multiturn Trading Limited	US\$1.00/\$7.80		
Multiturn Trading Limited	Allotment of 175 shares	US\$1.00/\$7.80	49.83%	6,478
	Acquired 650 shares from Ms. YY Wong	US\$1.00/\$7.80		
	Acquired 455 shares from Mr. Wong	US\$1.00/\$7.80		
Winly Group Ltd.	Allotment of 130 shares	US\$1.00/\$7.80	1.00%	130
Busyway Profits Limited	Transferred 390 shares to Mr. Ip Kam Hoi	US\$1.00/\$7.80 (See Note (xii))	0.12%	16

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Shareholder	Allotment/Transfer of shares	Consideration per share	Shareholding after allotment/transfer	Number of shares after allotment/transfer
Mr. Ip Kam Hoi	Acquired 390 shares from Busyway Profits Limited	US\$1.00/\$7.80 (See Note (xii))	6.08%	790
Ms. Shek Wai Fong	–	–	1.92%	250
Oriental Faith Technology Limited	–	–	5.77%	750
Sinopower Profits Limited	–	–	7.69%	1,000
Ms. Chow Wai Man, Grace	–	–	0.25%	33
Workforce Advantage Limited	–	–	0.32%	42
Kai Yick Developments Limited	–	–	0.85%	111
All South Resources Limited	–	–	0.98%	128
Pok Sun Enterprises Limited	–	–	1.52%	197
Direct Up Finance Limited	–	–	0.99%	129
Insight Finance Limited	–	–	0.99%	129
Wide Move Finance Limited	–	–	0.17%	22
Innomore Assets Limited	–	–	2.50%	370
Superior IT Holdings Limited	–	–	0.99%	129
Kwan Yiu Consultants Limited	–	–	1.51%	196
Rexy Investments Limited	–	–	16.15%	2,100
			<u>100%</u>	<u>13,000</u>

(viii) *Shareholding structure as at 21st May, 2001*

Shareholder	Allotment/Transfer of shares	Consideration per share	Shareholding after allotment/transfer	Number of shares after allotment/transfer
Multiturn Trading Limited	Allotment of 358 shares	US\$1.00/\$7.80	50.86%	6,836
Busyway Profits Limited	Allotment of 82 shares	US\$1.00/\$7.80	0.73%	98
Oriental Faith Technology Limited	Transferred 134 shares to Mr. Lai Ping Wah	\$13,396 (See Note (xiii))	1.73%	233
	Transferred 134 shares to Mr. Wong Shui Fun	\$13,396 (See Note (xiii))		
	Transferred to 134 shares to Mr. Wong Chung Yu	\$13,396 (See Note (xiii))		
	Transferred to 115 shares to Edgehill Industrial Limited	\$13,391 (See Note (xiii))		
Mr. Lai Ping Wah	Acquired 134 shares from Oriental Faith Technology Limited	\$13,396 (See Note (xiii))	1.00%	134
Mr. Wong Shui Fun	Acquired 134 shares from Oriental Faith Technology Limited	\$13,396 (See Note (xiii))	1.00%	134
Mr. Wong Chung Yu	Acquired 134 shares from Oriental Faith Technology Limited	\$13,396 (See Note (xiii))	1.00%	134
Edgehill Industrial Limited	Acquired 115 shares from Oriental Faith Technology Limited	\$13,391 (See Note (xiii))	0.86%	115
Ms. Shek Wai Fong	–	–	1.86%	250
Sinopower Profits Limited	–	–	7.44%	1,000
Ms. Chow Wai Man, Grace	–	–	0.25%	33
Workforce Advantage Limited	–	–	0.31%	42
Kai Yick Developments Limited	–	–	0.83%	111
All South Resources Limited	–	–	0.95%	128
Pok Sun Enterprises Limited	–	–	1.47%	197
Direct Up Finance Limited	–	–	0.96%	129
Insight Finance Limited	–	–	0.96%	129

Shareholder	Allotment/Transfer of shares	Consideration per share	Shareholding after allotment/transfer	Number of shares after allotment/transfer
Wide Move Finance Limited	–	–	0.16%	22
Innomore Assets Limited	–	–	2.75%	370
Superior IT Holdings Limited	–	–	0.96%	129
Kwan Yiu Consultants Limited	–	–	1.46%	196
Mr. Ip Kam Hoi	–	–	5.88%	790
Rexy Investment Limited	–	–	15.63%	2,100
Winly Group Ltd.	–	–	0.97%	130
			<u>100%</u>	<u>13,440</u>

(ix) *Shareholding structure as at 30th November, 2001*

Shareholder	Allotment/Transfer of shares	Consideration per share	Shareholding after allotment/transfer	Number of shares after allotment/transfer
East Excellence Ltd.	Allotment of 280 shares	\$2,842.86 (Note (xv))	2.00%	280
Best Approach Limited	Allotment of 280 shares	\$2,842.86 (Note (xv))	2.00%	280
Ms. Shek Wai Fong	–	–	1.79%	250
Oriental Faith Technology Limited	–	–	1.66%	233
Sinopower Profits Limited	–	–	7.14%	1,000
Mr. Lai Ping Wah	–	–	0.96%	134
Mr. Wong Shui Fun	–	–	0.96%	134
Mr. Wong Chung Yu	–	–	0.96%	134
Multiturn Trading Limited	–	–	48.83%	6,836
Kwan Yiu Consultants Limited	–	–	1.40%	196
Ms. Chow Wai Man, Grace	–	–	0.24%	33
Workforce Advantage Advantage Limited	–	–	0.30%	42
Kai Yick Developments Limited	–	–	0.79%	111
All South Resources Limited	–	–	0.91%	128

Shareholder	Allotment/Transfer of shares	Consideration per share	Shareholding after allotment/transfer	Number of shares after allotment/transfer
Pok Sun Enterprises Limited	–	–	1.41%	197
Direct Up Finance Limited	–	–	0.92%	129
Insight Finance Limited	–	–	0.92%	129
Wide Move Finance Limited	–	–	0.16%	22
Innomore Assets Limited	–	–	2.64%	370
Edgehill Industrial Limited	–	–	0.82%	115
Superior IT Holdings Limited	–	–	0.92%	129
Busyway Profits Limited	–	–	0.70%	98
Mr. Ip Kam Hoi	–	–	5.64%	790
Rexy Investment Limited	–	–	15.00%	2,100
Winly Group Ltd.	–	–	0.93%	130
			<u>100.00%</u>	<u>14,000</u>

(x) *Shareholding structure as at 6th December, 2001*

Shareholder	Allotment/Transfer of shares	Consideration per share	Shareholding after allotment/transfer	Number of shares after allotment/transfer
Kwan Yiu Consultants Limited	Transferred 196 shares to Multiturn Trading Limited	\$12,000	Nil	Nil
Multiturn Trading Limited	Acquired 196 shares from Kwan Yiu Consultants Limited	\$12,000	50.23%	7,032
Ms. Shek Wai Fong	–	–	1.79%	250
Oriental Faith Technology Limited	–	–	1.66%	233
Sinopower Profits Limited	–	–	7.14%	1,000
Mr. Lai Ping Wah	–	–	0.96%	134
Mr. Wong Shui Fun	–	–	0.96%	134
Mr. Wong Chung Yu	–	–	0.96%	134
Ms. Chow Wai Man, Grace	–	–	0.24%	33
Workforce Advantage Limited	–	–	0.30%	42

Shareholder	Allotment/Transfer of shares	Consideration per share	Shareholding after allotment/transfer	Number of shares after allotment/transfer
Kai Yick Developments Limited	–	–	0.79%	111
All South Resources Limited	–	–	0.91%	128
Pok Sun Enterprises Limited	–	–	1.41%	197
Direct Up Finance Limited	–	–	0.92%	129
Insight Finance Limited	–	–	0.92%	129
East Excellence Ltd.	–	–	2.00%	280
Best Approach Limited	–	–	2.00%	280
Wide Move Finance Limited	–	–	0.16%	22
Innomore Assets Limited	–	–	2.64%	370
Edgehill Industrial Limited	–	–	0.82%	115
Superior IT Holdings Limited	–	–	0.92%	129
Busyway Profits Limited	–	–	0.70%	98
Mr. Ip Kam Hoi	–	–	5.64%	790
Rexy Investment Limited	–	–	15.00%	2,100
Winly Group Ltd.	–	–	0.93%	130
			<u>100.00%</u>	<u>14,000</u>

(xi) *Shareholding structure as at 6th December, 2001*

Shareholder	Allotment/Transfer of shares	Consideration per share	Shareholding after allotment/transfer	Number of shares after allotment/transfer
All South Resources Limited	Transferred 128 shares to Ms. Chen Qi, its ultimate beneficial owner	HK\$10,000	Nil	Nil
Ms. Chen Qi	Acquired 128 shares from All South Resources Limited	HK\$10,000	0.91%	128
Multiturn Trading Limited	–	–	50.23%	7,032
Ms. Shek Wai Fong	–	–	1.79%	250
Oriental Faith Technology Limited	–	–	1.66%	233
Sinopower Profits Limited	–	–	7.14%	1,000
Mr. Lai Ping Wah	–	–	0.96%	134

Shareholder	Allotment/Transfer of shares	Consideration per share	Shareholding after allotment/transfer	Number of shares after allotment/transfer
Mr. Wong Shui Fun	–	–	0.96%	134
Mr. Wong Chung Yu	–	–	0.96%	134
Ms. Chow Wai Man, Grace	–	–	0.24%	33
Workforce Advantage Limited	–	–	0.30%	42
Kai Yick Developments Limited	–	–	0.79%	111
Pok Sun Enterprises Limited	–	–	1.41%	197
Direct Up Finance Limited	–	–	0.92%	129
Insight Finance Limited	–	–	0.92%	129
East Excellance Ltd.	–	–	2.00%	280
Best Approach Limited	–	–	2.00%	280
Wide Move Finance Limited	–	–	0.16%	22
Innomore Assets Limited	–	–	2.64%	370
Edgehill Industrial Limited	–	–	0.82%	115
Superior IT Holdings Limited	–	–	0.92%	129
Busyway Profits Limited	–	–	0.70%	98
Mr. Ip Kam Hoi	–	–	5.64%	790
Rexy Investment Limited	–	–	15.00%	2,100
Winly Group Ltd.	–	–	0.93%	130
			<u>100.00%</u>	<u>14,000</u>

(xii) *Shareholding structure as at 22nd February, 2002*

Shareholder	Allotment/Transfer of shares	Consideration per share	Shareholding after allotment/transfer	Number of shares after allotment/transfer
Direct Up Finance Limited	Transferred 51 shares to Superior IT Holdings Limited	HK\$12,000	0.55%	78
Superior IT Holdings Limited	Acquired 51 shares from Direct Up Finance Limited	HK\$12,000	1.28%	180
Ms. Chen Qi	–	HK\$10,000	0.91%	128
Multiturn Trading Limited	–	–	50.23%	7,032

Shareholder	Allotment/Transfer of shares	Consideration per share	Shareholding after allotment/transfer	Number of shares after allotment/transfer
Ms. Shek Wai Fong	–	–	1.79%	250
Oriental Faith Technology Limited	–	–	1.66%	233
Sinopower Profits Limited	–	–	7.14%	1,000
Mr. Lai Ping Wah	–	–	0.96%	134
Mr. Wong Shui Fun	–	–	0.96%	134
Mr. Wong Chung Yu	–	–	0.96%	134
Ms. Chow Wai Man, Grace	–	–	0.24%	33
Workforce Advantage Limited	–	–	0.31%	42
Kai Yick Developments Limited	–	–	0.79%	111
Pok Sun Enterprises Limited	–	–	1.41%	197
Insight Finance Limited	–	–	0.92%	129
East Excellance Limited	–	–	2.00%	280
Best Approach Limited	–	–	2.00%	280
Wide Move Finance Limited	–	–	0.16%	22
Innomore Assets Limited	–	–	2.64%	370
Edgehill Industrial Limited	–	–	0.83%	115
Busyway Profits Limited	–	–	0.69%	98
Mr. Ip Kam Hoi	–	–	5.64%	790
Rexy Investment Limited	–	–	15.00%	2,100
Winly Group Ltd.	–	–	0.93%	130
			<u>100.00%</u>	<u>14,000</u>

Notes:

- (i) Ms. YY Wong ceased to hold shares in CHL in her own name but became to hold such shares through her 31% interests in Multiturn Trading Limited and Busyway Profits Limited, both were owned as to 31% by Ms. YY Wong, 31% by Mr. Wong, 31% by Mr. Chow and 7% by Mr. Lam. However, on 2nd January, 2002, Ms. YY Wong, Mr. Wong, Mr. Chow and Mr. Lam transferred all of their interests in Busyway Profits Limited to Mr. Ip Kam Hoi at an aggregate consideration of US\$70.
- (ii) Mr. Wong ceased to hold shares in CHL in his own name but became to hold such shares through his 31% interests in Multiturn Trading Limited and Busyway Profits Limited. However, on 2nd January, 2002, Ms. YY Wong, Mr. Wong, Mr. Chow and Mr. Lam transferred all of their interests in Busyway Profits Limited to Mr. Ip Kam Hoi at an aggregate consideration of US\$70.
- (iii) Ms. YY Wong held such shares in her own name and she had further interests in CHL through her 31% interests in Multiturn Trading Limited, which held 3,998 shares in the share capital of CHL.

- (iv) Mr. Wong held such shares in his own name and he had further interests in CHL through his 31% interests in Multiturn Trading Limited, which held 3,998 shares in the share capital of CHL.
- (v) Mr. Chow held such shares through his 31% interests in Multiturn Trading Limited and Busyway Profits Limited. On 2nd January, 2002, Ms. YY Wong, Mr. Wong, Mr. Chow and Mr. Lam transferred all of their interests in Busyway Profits Limited to Mr. Ip Kam Hoi at an aggregate consideration of US\$70.
- (vi) Mr. Lam held such shares through his 7% interests in Multiturn Trading Limited. On 2nd January, 2002, Ms. YY Wong, Mr. Wong, Mr. Chow and Mr. Lam transferred all of their interests in Busyway Profits Limited to Mr. Ip Kam Hoi at an aggregate consideration of US\$70.
- (vii) Regarding the shares transferred to Multiturn Trading Limited, as Ms. YY Wong is a shareholder of Multiturn Trading Limited, the shares were transferred to Multiturn Trading Limited at par value.

Regarding the shares transferred to Busyway Profits Limited, as Ms. YY Wong was a then shareholder of Busyway Profits Limited, the shares were transferred to Busyway Profits Limited at par value.

Ms. YY Wong transferred the shares to City Support Trading Limited, Nice Plan Development Limited, Nanyin Investment Limited and Ip Kam Hoi at par value as they were initial investors.

- (viii) Shares of CHL were allotted to Sinopower Profits Limited at \$5,600 per share representing about 80% discount of the value of share based on the estimated valuation of CHL at \$260,000,000 and a total of 10,000 shares in issue as Sinopower Profits Limited is a strategic investor.
- (ix) By a valuation report dated 11th October, 2000, the value of CHL as at 1st September, 2000 was \$260,000,000. The value of 21% interests of CHL was \$54,600,000 and the consideration was satisfied by the allotment and issue of an aggregate of 75,000,000 shares in Plotio Holdings Limited (now known as HyComm Wireless Limited) as to 25,000,000 shares to each of City Support Trading Limited, Nice Plan Development Limited and Nanyin Investment Limited.
- (x) By a valuation report dated 11th October, 2000, the value of CHL as at 1st September, 2000 was \$260,000,000. The consideration was calculated by discounting the value of CHL by 40% to \$156,000,000 (the “**Discounted Valuation**”). The total number of issued shares of CHL as at 2nd May, 2001 was 11,590 shares and the value per share was \$22,433.13. The average price of \$12,000 per share transferred by Busyway Profits Limited, which was then owned as to 31% by Ms. YY Wong, 31% by Mr. Wong, 31% by Mr. Chow and 7% by Mr. Lam, represented a discount of about 46.5% of the value of each share.
- (xi) The transfer price of \$10,000 per share represented a discount of about 55% of the value of the share of \$22,433.13 based on the value of CHL of \$260,000,000 as at 1st September, 2000 and a total of 11,590 shares in issue.
- (xii) Busyway Profits Limited, which was then held by the Initial Management Shareholders, transferred the shares to Mr. Ip Kam Hoi at par value as Mr. Ip Kam Hoi was one of the initial investors of CHL.
- (xiii) The transfer price of \$13,396 per share represented a discount of about 30% of the value of the share of \$19,345.23 based on the value of CHL of \$260,000,000 as at 1st September, 2000 and a total of 13,440 shares in issue.
- (xiv) Oriental Faith Technology Limited and Sinopower Profits Limited are both beneficially owned by Mr. Koh Tat Lee and Ms. Eva Wong in equal shares, both are independent third parties.
- (xv) East Excellence Ltd. is beneficially owned by Mr. Ho Yiu Ming, Mr. Lee Chiu Kang, Mr. Chan Siu Man and Mr. Chu Wai Pang. Best Approach Limited is beneficially owned by Mr. Law Fung Yuen, Paul.
- (xvi) Under the articles of association of CHL, CHL may issue a share for a promissory note or other written obligation for payment of a debt. On the dates of allotment specified in this section, CHL received the promissory notes for payment of the relevant consideration from the relevant shareholders. By 12th December 2001, CHL has received the relevant consideration from all its shareholders.

Corporate reorganisation

The companies in the Group underwent a reorganisation in preparation for the listing on GEM which involved the following:

Cyberliving (Hong Kong) Company Limited (“CHK”)

On 1st August, 2000, CHL acquired 100% beneficial interest of the entire issued share capital of CHK, which was then held by Ms. YY Wong and Mr. Wong in equal share, from Ms. YY Wong and Mr. Wong.

Cyberinfo Management Limited (“CML”)

On 20th September, 2000, each of two ordinary shares of \$1.00 each in the share capital of CML were respectively allotted and issued to CHL and Mr. Chow (who held in trust for CHL). On the same day, the four issued ordinary shares held respectively as to two by Ms. YY Wong and two by Mr. Wong were converted into non-voting deferred shares.

On 4th June, 2001, the beneficial interest of all the non-voting deferred shares held by Ms. YY Wong and Mr. Wong were transferred to CHL and CHL acquired 100% interest in the entire issued share capital of CML.

Ying Wai Trading Limited (“YWT”)

On 28th May, 2000, CHL acquired the entire issued share capital of YWT from Ms. YY Wong, the then shareholder of YWT.

Cyberworks Technology Limited (“CTL”)

On 28th May, 2000, YWT acquired 100% interest in the entire issued share capital of CTL, which was then held by Ms. YY Wong and Mr. Wong in equal share, from Ms. YY Wong and Mr. Wong.

Leading Pro Trading Limited (“LPT”)

On 28th May, 2000, CHL acquired the entire issued share capital of LPT from Ms. YY Wong, the then sole shareholder of LPT.

Cyberweb Services Limited (“CSL”)

On 4th June, 2001, LPT acquired the entire issued share capital of CSL, which was then held by Ms. YY Wong and Mr. Wong in equal share, from Ms. YY Wong and Mr. Wong.

Upon the passing of the necessary written resolutions on 5th July, 2002 by the sole shareholder of the Company to, inter alia, increase the authorised share capital of the Company from \$100,000 to \$100,000,000 and pursuant to a sale and purchase agreement dated 5th July, 2002 entered into between Multiturn Trading Limited, Winly Group Ltd., Ms. Chow Wai Man, Grace, Rexy Investment Limited, Sinopower Profits Limited, Oriental Faith Technology Limited, Mr. Ip Kam Hoi, Innomore Assets Limited, East Excellence Ltd., Best Approach Limited, Ms. Shek Wai Fong, Pok Sun Enterprises Limited, Superior IT Holdings Limited, Mr. Lai Ping Wah, Mr. Wong Shui Fun, Mr. Wong Chung Yu, Insight Finance Limited, Ms. Chen Qi, Edgehill Industrial Limited, Kai Yick Development Limited, Busyway Profits Limited, Direct Up Finance Limited, Workforce Advantage Limited and Wide Move Finance Limited as vendors (the “Vendors”) and the Company as purchaser, the Company shall acquire the entire issued share capital of CHL from the Vendors, in consideration of which the Company shall (i) allot and issue an aggregate of 20,000,000 shares of \$0.01 each in the share capital of the Company, credited as fully paid as to 5,069,000 Shares to Multiturn Trading Limited or its nominee(s), 279,000 Shares to Winly Group Ltd. or its nominee(s), 72,000 Shares to Ms. Chow Wai Man, Grace or her nominee(s), 4,500,000 Shares to Rexy Investment Limited or its nominee(s), 2,142,000 Shares to Sinopower Profits Limited or its nominee(s), 498,000 of Shares to Oriental Faith Technology Limited or its nominee(s), 1,692,000 Shares to Mr. Ip Kam

Hoi or his nominee(s), 792,000 Shares to Innomore Assets Limited or its nominee(s), 600,000 Shares to East Excellance Ltd. or its nominee(s), 600,000 Shares to Best Approach Limited or its nominee(s), 537,000 Shares to Ms. Shek Wai Fong or her nominee(s), 423,000 Shares to Pok Sun Enterprises Limited or its nominee(s), 384,000 Shares to Superior IT Holdings Limited or its nominee(s), 288,000 Shares to Mr. Lai Ping Wah or his nominee(s), 288,000 Shares to Mr. Wong Shui Fun or his nominee(s), 288,000 Shares to Mr. Wong Chung Yu or his nominee(s), 276,000 Shares to Insight Finance Limited or its nominee(s), 273,000 Shares to Ms. Chen Qi or her nominee(s), 249,000 Shares to Edgehill Industrial Limited or its nominee(s), 237,000 Shares to Kai Yick Development Limited or its nominee(s), 207,000 Shares to Busyway Profits Limited or its nominee(s), 168,000 Shares to Direct Up Finance Limited or its nominee(s), 90,000 Shares to Workforce Advantage Limited or its nominee(s) and 48,000 Shares to Wide Move Finance Limited or its nominee(s) and (ii) credit as fully paid up at par the 10,000,000 Shares allotted and issued nil paid to Ms. YY Wong on 20th November, 2001.

Upon completion of the above corporate reorganisation, CHL became a wholly-owned subsidiary of the Group and each of CHK, CML, YWT, LPT, CTL and CSL became indirectly wholly-owned subsidiary of the Company.

Changes in share capital of subsidiaries

The subsidiaries of the Company are listed in the accountants' report set out in Appendix I to this prospectus, in addition to the corporate reorganisation described in the section headed "Corporate reorganisation" in this Appendix, the following alterations in the share capital of the Company's subsidiaries took place within the two years immediately preceding the date of this prospectus:

- (a) following its incorporation on 15th March, 2000, LPT allotted and issued for cash at par 1 share of US\$1.00 to Ms. YY Wong on 17th March, 2000;
- (b) following its incorporation on 15th March, 2000, YWT allotted and issued for cash at par 1 share of US\$1.00 to Ms. YY Wong on 17th March, 2000;
- (c) following its incorporation on 15th March, 2000, CHK allotted and issued for cash at par 1 share of \$1.00 each at par to Ms. YY Wong and Mr. Wong respectively on 28th March, 2000;
- (d) following its incorporation on 22nd March, 2000, CSL allotted and issued for cash at par 1 share of \$1.00 each to Ms. YY Wong and Mr. Wong respectively on 28th March, 2000;
- (e) following its incorporation on 19th May, 2000, CHL allotted and issued for cash at par 1 share of US\$1.00 each to Ms. YY Wong and Mr. Wong respectively on 28th May, 2000;
- (f) on 29th May, 2000, CHL allotted and issued for cash 7,998 shares, 250 shares and 500 shares of US\$1.00 each to Ms. YY Wong, Ms. Shek Wai Fong and Oriental Faith Technology Limited at the consideration of \$62,384.40, \$1,950 and \$3,900 respectively;
- (g) on 22nd July, 2000, CHL allotted and issued for cash 250 shares and 1,000 shares of US\$1.00 each to Active Voice Limited and Sinopower Profits Limited at the consideration of \$1,950 and \$5,600,000 respectively;

- (h) on 20th September, 2000, CML allotted and issued for cash at par 1 ordinary share of \$1.00 each to Mr. Chow and CHL respectively;
- (i) on 25th October, 2000, CHL allotted and issued for cash at par 360 shares, 360 shares, 360 shares and 120 shares of US\$1.00 each to Ms. YY Wong, Mr. Wong, Mr. Chow and Mr. Lam respectively;
- (j) on 2nd May, 2001, CHL allotted and issued for cash at par 390 shares of US\$1.00 each to Busyway Profits Limited;
- (k) on 15th May, 2001, CHL allotted and issued for cash at par 650 shares, 455 shares, 175 shares and 130 shares of US\$1.00 each to Ms. YY Wong, Mr. Wong, Multiturn Trading Limited and Winly Group Ltd. respectively;
- (l) on 21st May, 2001, CHL allotted and issued for cash at par 82 shares and 358 shares of US\$1.00 each to Busyway Profits Limited and Multiturn Trading Limited respectively; and
- (m) on 30th November, 2001, CHL allotted and issued for cash an aggregate of 560 shares of US\$1.00 each as to 280 shares to East Excellence Ltd. and as to 280 shares to Best Approach Limited at a consideration of \$796,000 and \$796,000 respectively.

Save as disclosed herein, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

Repurchase by the Company of its own shares

(a) GEM Listing Rules

The GEM Listing Rules permit companies whose primary listings are on GEM to repurchase their shares on GEM subject to certain restrictions, the most important of which are that all share repurchases on GEM by a company with its primary listing on GEM must be approved in advance by an ordinary resolution, which may be by way of general mandate, or by special resolution in relation to specific transactions and that repurchases must be funded out of funds legally available for the purpose.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of the Company and its Shareholders to have general authority from the Shareholders to enable the Directors to repurchase Shares on GEM. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders.

(c) Funding of repurchases

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and bye-laws and the laws of Bermuda.

The Directors consider that there would be a material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed repurchases were to be carried out in full during the proposed repurchase period. The Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

(d) General

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the GEM Listing Rules and the applicable laws of Bermuda.

No connected person (as defined in the GEM Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so.

If, as a result of a share repurchase, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with rule 26 of the Hong Kong Code on Takeovers and Mergers and the provision may apply as a result of any such increase.

(e) Share capital

Exercise in full of the repurchase mandate referred to in the paragraph headed "Written resolutions of the sole shareholder of the Company dated 5th July, 2002" in this Appendix, on the basis of 480,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue, could accordingly result in up to 48,000,000 Shares being repurchased by the Company during the period in which the repurchase mandate remains in force.

FURTHER INFORMATION ABOUT THE BUSINESS

Summary of material contracts



The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) a sale and purchase agreement dated 5th July, 2002 entered into between Multiturn Trading Limited, Winly Group Ltd., Ms. Chow Wai Man, Grace, Rexy Investment Limited, Sinopower Profits Limited, Oriental Faith Technology Limited, Mr. Ip Kam Hoi, Innomore Assets Limited, East Excellance Ltd., Best Approach Limited, Ms. Shek Wai Fong, Pok Sun Enterprises Limited, Superior IT Holdings Limited, Mr. Lai Ping Wah, Mr. Wong Shui Fun, Mr. Wong Chung Yu, Insight Finance Limited, Ms. Chen Qi, Edgehill Industrial Limited, Kai Yick Developments Limited, Busyway Profits Limited, Direct Up Finance Limited, Workforce Advantage Limited and Wide Move

- Finance Limited as vendors (the “Vendors”) and the Company as purchaser, the Company shall acquire the entire issued share capital of CHL from the Vendor, in consideration of which the Company shall (i) allot and issue an aggregate of 20,000,000 shares of \$0.01 each in the share capital of the Company, credited as fully paid as to 5,069,000 Shares to Multiturn Trading Limited or its nominee(s), 279,000 Shares to Winy Group Ltd. or its nominee(s), 72,000 Shares to Ms. Chow Wai Man, Grace or her nominee(s), 4,500,000 Shares to Remy Investment Limited or its nominee(s), 2,142,000 Shares to Sinopower Profits Limited or its nominee(s), 498,000 of Shares to Oriental Faith Technology Limited or its nominee(s), 1,692,000 Shares to Mr. Ip Kam Hoi or his nominee(s), 792,000 Shares to Innomore Assets Limited or its nominee(s), 600,000 Shares to East Excellance Ltd. or its nominee(s), 600,000 Shares to Best Approach Limited or its nominee(s), 537,000 Shares to Ms. Shek Wai Fong or her nominee(s), 423,000 Shares to Pok Sun Enterprises Limited or its nominee(s), 384,000 Shares to Superior IT Holdings Limited or its nominee(s), 288,000 Shares to Mr. Lai Ping Wah or his nominee(s), 288,000 Shares to Mr. Wong Shui Fun or his nominee(s), 288,000 Shares to Mr. Wong Chung Yu or his nominee(s), 276,000 Shares to Insight Finance Limited or its nominee(s), 273,000 Shares to Ms. Chen Qi or her nominee(s), 249,000 Shares to Edgehill Industrial Limited or its nominee(s), 237,000 Shares to Kai Yick Developments Limited or its nominee(s), 207,000 Shares to Busyway Profits Limited or its nominee(s), 168,000 Shares to Direct Up Finance Limited or its nominee(s), 90,000 Shares to Workforce Advantage Limited or its nominee(s) and 48,000 Shares to Wide Move Finance Limited or its nominee(s) and (ii) credit as fully paid up at par the 10,000,000 Shares allotted and issued nil paid to Ms. YY Wong on 20 November, 2001;
- (b) a deed of indemnity dated 5th July, 2002 given by the Controlling Shareholders in favour of the Group being the deed of indemnity containing indemnities in respect of, inter alia, Hong Kong estate duty referred to in the paragraph headed “Estate duty and tax indemnity” in this Appendix;
 - (c) a deed of indemnity dated 5th July, 2002 given by the Controlling Shareholders in favour of the Group being the deed of indemnity containing indemnities in respect of all loss and damages, costs and expenses suffered and incurred by the Group as a result of change of shareholding of CHK;
 - (d) the Sponsor’s Agreement; and
 - (e) the Underwriting Agreement.

Intellectual property

- (a) The Group has applied for registration of the following trademarks in Hong Kong:

Trademark	Place of Registration	Class	Application Date
	Hong Kong	35 (<i>Note 1</i>)	28th December, 2001
	Hong Kong	42 (<i>Note 2</i>)	28th December, 2001

Notes:

1. Retailing and wholesaling services relating to computers, telephones, mobile telephones, cell phones, telegraph, telex, facsimile and paging equipment, apparatus and instruments; provision of business information, advisory and consultancy services relating to computer database, network of computers and the Internet; *compilation of information into computer database, computerized file management*; provision of business information, advertising and promotional services and retailing on-line from a computer database, via a global network of computers or other digitally interactive media or by means of web-pages on the Internet; provision of processing, storage and retrieval services of computerised information; business consultancy and business advisory services in the field of telecommunications, telecommunication systems, data communications, transmission of information and data and of communications via satellites; all included in Class 35.
2. Consultancy, information and advisory services relating to computer technology; computer services; computer diagnostic services; development of computer hardware and software for the receipt, display and use of broadcast video, audio, and digital data signals, leasing and/or rental of computers; leasing of access time to computer data bases in the nature of computer bulletin boards; development and compilation of and providing access to interactive and non-interactive web-pages for the Internet; computer code conversion services; computer programming; updating and devising computer programmes; computer consultancy relating to information system development integration; maintenance of computer software for information systems; all included in Class 42.
3. The Group has not applied for registration of any trademarks in the PRC. As the intellectual property rights of the products offered by the Group belong to the PRC clients of the Group under all existing contracts, the Directors consider that it is not necessary to apply for registration of trademark in the PRC.

- (b) The Group has registered the following domain names:

REGISTRATION

www.ihome123.com	6th May, 2000
www.ihome123.net	6th May, 2000
www.cyberliving.com.hk	5th June, 2000
www.iguqualityliving.com	13th November, 2001
www.it-holdings.com	4th December, 2001

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF**Particulars of service contracts**

Each of Ms. YY Wong, Mr. Wong, Mr. Lam and Mr. Wong Yao Wing, Robert has entered into a service contract with the Company. Particulars of these contracts are in all material respects identical and are set out below:

- (i) each service contract is of two years duration commencing on 1st April, 2002 and shall continue thereafter until terminated by either party giving to the other not less than three months' prior written notice expiring not earlier than the date of expiry of the said initial fixed term of two years;
- (ii) the annual remuneration and benefits in kind payable by the Company to each of Ms. YY Wong, Mr. Wong, Mr. Wong Yao Wing, Robert and Mr. Lam for the period from 1st April, 2002 to 31st March, 2003 shall be \$960,000, \$960,000, \$960,000 and \$720,000 respectively, such salary will be reviewed by the board of Directors at the end of each financial year. The remuneration of each such Director may, subject to the discretion of the board of directors, be increased by not more than 15% of such Director's salary at the time of the relevant review;
- (iii) each of Ms. YY Wong, Mr. Wong, Mr. Lam and Mr. Wong Yao Wing, Robert in respect of each calendar year of service is entitled to a fixed sum bonus equal to one month's fixed salary plus a discretionary bonus in respect of each financial year to be determined by the board of Directors by reference to the audited consolidated net profits of the Group after taxation and minority interests but before extraordinary items of the relevant financial year ("Net Profits") provided that the aggregate amount of discretionary bonuses payable to all Directors in respect of any financial year of the Group shall not exceed 15% of the Net Profits of the relevant financial year;
- (iv) each such Director shall abstain from voting and not be counted in the quorum in respect of any resolution of the board of Directors regarding the amount of annual salary and discretionary bonus payable to himself or herself; and
- (v) each of Ms. YY Wong, Mr. Wong, Mr. Lam and Mr. Wong Yao Wing, Robert is entitled to all reasonable out-of-pocket expenses and all the benefits under any employee benefit plan including medical insurance coverage, insurance coverage and mandatory provident fund and each of Ms. YY Wong, Mr. Wong, Mr. Lam and Mr. Wong Yao Wing, Robert is entitled to the use of a car and fuel and maintenance (including insurance) expenses in respect of the car used by him/her.

There is no service contract entered into between the Company and the independent non-executive Directors on any remuneration paid to them as at the Latest Practicable Date. Each of the independent non-executive Directors will receive a remuneration of \$150,000 for the period from 1st April, 2002 to 31st March, 2003.

Save as disclosed, none of the Directors has entered into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

Directors' remuneration

For the year ended 31st March, 2002, an aggregate of \$2,439,000 were paid to the Directors as remuneration. Further information in respect of the Directors, remuneration is set out in Appendix I to this prospectus.

Under the present arrangements, the total remuneration that the Directors will receive for the year ending 31st March, 2003 is expected to be approximately \$4,200,000.

Interests of the Directors in the share capital of the Company after the Share Offer and the Capitalisation Issue

Immediately following the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option and the options under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme are not exercised and taking no account of Shares which may be taken up under the Share Offer), the beneficial interests of the Directors in the share capital of the Company which will have to be notified to the Company and the Stock Exchange pursuant to section 28 or section 31 of the SDI Ordinance once the Shares are listed on GEM, or which will be required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which will be required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Stock Exchange, once the Shares are listed on GEM, will be as follows:

(i) Shares in the Company

Name	Type of interest	Number of Shares
Ms. YY Wong (<i>Note 1</i>)	Corporate	52,320,000
Mr. Wong (<i>Note 1</i>)	Corporate	52,320,000
Mr. Lam (<i>Note 1</i>)	Corporate	11,904,000
Ms. Wu Wai Yee, Annis (<i>Note 2</i>)	Corporate	3,600,000
Ms. Chow Wai Man, Grace (<i>Note 3</i>)	Personal	912,000

Notes:

- Each of Ms. YY Wong, Mr. Wong and Mr. Lam respectively owns such Shares through Multiturn Trading Limited, which is beneficially owned by Ms. Y Y Wong, Mr. Wong, Mr. Chow and Mr. Lam as to 31%, 31%, 31% and 7% respectively.
- Winly Group Ltd. owns 3,600,000 Shares and is owned by Ms. Wu Wai Yee, Annis ("Ms. Wu"), an independent non-executive Director, and Ms. To Po Yim ("Ms. To") in equal shares. Each of Ms. Wu and Ms. To is deemed to be interested in 3,600,000 Shares, representing approximately 0.75% interests in the Company upon completion of the Share Offer and Capitalisation Issue under the SDI Ordinance.
- Ms. Chow Wai Man, Grace is an independent non-executive Director.

(ii) Options in the Company

Ms. YY Wong, Mr. Wong, Mr. Lam and Mr. Wong Yao Wing, Robert have been granted options to subscribe for Shares under the Pre-IPO Share Option Scheme, particulars of which are set out in the section headed "Summary of the terms of the Pre-IPO Share Option Scheme" in this Appendix.

Substantial Shareholders

So far as the Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue and assuming that the Over-allotment Option and the options under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme are not exercised and taking no account of Shares which may be taken up under the Share Offer, the following persons will be, directly or indirectly, entitled to exercise or control the exercise of 10% or more of the voting power at general meetings of the Company, or otherwise interested in 10% or more of the Shares then in issue:

Name	Notes	Number of Shares	Approximate percentage of holding
Multiturn Trading Limited	1	168,864,000	35.18%
Rexy Investment Limited	2	57,600,000	12.00%
Plotio Limited	2	57,600,000	12.00%
HyComm Wireless Limited	2	57,600,000	12.00%

Notes:

1. Multiturn Trading Limited is beneficially owned by Ms. Y Y Wong, Mr. Wong, Mr. Chow and Mr. Lam as to 31%, 31%, 31% and 7% respectively.
2. Rexy Investment Limited is wholly-owned by Plotio Limited, which is wholly-owned by HyComm Wireless Limited, an independent third party which shares are listed on the Stock Exchange.

Agency fees or commissions received

Save as disclosed in this prospectus, none of the Directors, the promoters of the Company or the experts named in the paragraph headed “Qualifications of experts” in the section headed “Other information” in this Appendix has received any agency fees or payment or benefit of any commissions, discounts, brokerages or other special terms from any member of the Group within the two years immediately preceding the date of this prospectus.

Related party transactions

The Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in note (10) to section C of the accountants’ report set out in Appendix I and the paragraph headed “Summary of material contracts” in this Appendix.

Disclaimers

Save as disclosed in this prospectus:

- (a) none of the Directors has any direct or indirect interest in the promotion of the Company or in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group within the two years immediately preceding the date of this prospectus;

- (b) none of the Directors has an interest in any shares in, or debentures of, the Company or any associated corporation (within the meaning of the SDI Ordinance) which will have to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which he is taken or deemed to have under section 31 or Part I of the Schedule to the SDI Ordinance) once the Shares are listed on GEM or which will be required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein, or pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, once the Shares are listed on GEM;
- (c) no Director is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (d) and taking no account of Shares which may be taken up under the Share Offer, the Directors are not aware of any person who will immediately following the Share Offer and the Capitalisation Issue hold either directly or indirectly or be beneficially interested in 10% or more of the Shares then in issue; and
- (e) there is no existing or proposed service agreement between any member of the Group and the Directors, excluding contracts expiring or terminable by the Group within one year without payment of compensation other than statutory compensation.

SHARE OPTION SCHEMES

Summary of the terms of the Post-IPO Share Option Scheme

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally approved by the shareholders of the Company on 5th July, 2002:

For the purpose of this section, unless the context otherwise requires:

“Board” means the board of Directors for the time being or a duly authorised committee thereof;

“Eligible Person” means:

- (1) any full time employee or director of any member of the Group;
- (2) any part time employee of any member of the Group who has spent not less than 10 hours per week in providing services to such member of the Group, determined by averaging out the total number of hours so spent in a period of four weeks immediately preceding the week in which a grant of the Option is offered to such part time employee; or
- (3) any consultant or adviser of or to any member of the Group who has provided technical know-how and consultancy services to such member of the Group in accordance with the terms of a contractual relationship entered into between the consultant or adviser with such member of Group;

- “Option”** means an option to subscribe for Shares granted pursuant to the Post-IPO Share Option Scheme;
- “Other Schemes”** means any other share option schemes adopted by the Group from time to time pursuant to which options to subscribe for Shares may be granted;
- “Participant”** means any Eligible Person who accepts the offer of any Option in accordance with the terms of the Post-IPO Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant; and
- “Shareholders”** means shareholders of the Company for the time being.

(a) Purpose of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme enables the Company to grant incentives or rewards for the contributions of the Eligible Persons to the Group.

(b) Who may join

The Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below.

Upon acceptance of the Option, the Eligible Person shall pay \$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted.

(c) Grant of option

Any grant of Options must not be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of the Company’s quarterly, interim or annual results; and (ii) the deadline for the Company to publish its quarterly, interim or annual results announcement under the GEM Listing Rules, and ending on the date of the results announcement, no Option may be granted.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Post-IPO Share Option Scheme (including both exercised and outstanding Options) in any 12-month period must not exceed 1 per cent. of the Shares in issue from time to time, provided that if approved by Shareholders in general meeting with such Participant and his associates abstaining from voting, the Company may make a further grant of Options to such Participant (the “Further Grant”) notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted under the Post-IPO Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1 per

cent. of the Shares in issue from time to time. The Company must send a circular to the Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and options previously granted to such Participant under the Post-IPO Share Option Scheme and Other Schemes) and the information required under the GEM Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders' approval and the date of meeting of the Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the relevant subscription price.

(d) Price of Shares

The subscription price for the Shares subject to Options will be a price determined by the Board and notified to each Participant and will be at least the highest of (i) the closing price of the Shares on GEM as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Option, which must be a trading day; (ii) the average closing price of the Shares on GEM as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Share.

For the purpose of calculating the subscription price, in the event that on the date of grant, the Company has been listed on GEM for less than 5 trading days, the Other Price shall be used as the closing price for any trading day falling within the period before the listing.

(e) Maximum number of Shares

- (i) The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and the Other Schemes must not in aggregate exceed 48,000,000 Shares, being 10% of the Shares in issue as at the date on which the Post-IPO Share Option Scheme is conditionally adopted and approved by the Shareholders (the "**Scheme Mandate Limit**") provided that Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme or the Other Schemes will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (ii) Subject to the approval of Shareholders in general meeting, the Company may renew the Scheme Mandate Limit to the intent that the total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and the Other Schemes under the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that options previously granted under the Post-IPO Share Option Scheme and the Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the Shareholders' approval referred to in this subparagraph, the Company shall send a circular to the Shareholders containing the information required by the GEM Listing Rules.
- (iii) Subject to the approval of Shareholders in general meeting, the Company may also grant Options beyond the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by the Company before such Shareholders' approval is

sought. In relation to the Shareholders' approval referred to in this paragraph (iii), the Company shall send a circular to its Shareholders containing a generic description of the identified Participants, the number and terms of the Options to be granted, the purpose of granting Options to the identified Participants, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the GEM Listing Rules.

- (iv) Notwithstanding the foregoing, the Company may not grant any Option if the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and Other Schemes exceeding 30 per cent. of the Shares in issue from time to time.

(f) Time of exercise of option

An Option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by the Board to each Participant provided that the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The Post-IPO Share Option Scheme does not require a minimum period for which an Option must be held or a performance target which must be achieved before an Option can be exercised. The Board shall be entitled at its absolute discretion to decide the option period subject to the time of the Post-IPO Share Option Scheme.

(g) Rights are personal to grantee

An Option shall be personal to the Participant and shall not be transferred or assigned and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option.

(h) Rights on death

If a Participant dies before exercising the Option in full, his or her personal representative(s) may exercise the Option in full (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death, failing which the Option will lapse.

(i) Changes in capital structure

If there is any capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company or otherwise, such corresponding alterations (if any) shall be made in:

- (i) the number of Shares (without fractional entitlements) which is the subject of the Option so far as unexercised; and/or
- (ii) the subscription price of the Option; and/or
- (iii) the method of exercise of the Option.

Except alterations made on a capitalisation issue, any alteration to the number of Shares which is the subject of the Option and the subscription price of the Option shall be conditional on the auditors of the Company confirming in writing to the Board that the alteration made is on the basis that the proportion of the issued share capital of the Company to which a Participant is entitled after such alteration shall remain the same as that to which he or she was entitled before such alteration. No such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value or which would result in the aggregate amount payable on the exercise of any Option in full being increased. The capacity of the auditors is that of experts and not of arbitrators and their certification shall be final and binding on the Company and the Participants in the absence of manifest error. The costs of the auditors in so certifying shall be borne by the Company.

(j) Rights on take-over

If a general offer has been made to all the Shareholders (other than the offeror and any persons acting in concert with the offeror) to acquire all of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participants shall be entitled to exercise his or her Option to its full extent or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this paragraph, “acting in concert” shall have meaning ascribed to it under the Hong Kong Code on Takeovers and Mergers.

(k) Rights on a compromise or arrangement

- (i) If an application is made to the court (otherwise than where the Company is being voluntarily wound up) pursuant to the Companies Act or the Companies Ordinance in connection with a proposed compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its Shareholders (or any class of them), a Participant may by notice in writing to the Company, within the period of 21 days after the date of such application, exercise his or her Option to its full extent or to the extent specified in such notice. Upon the compromise arrangement becoming effective, all Options shall lapse except insofar as exercise notice of the application referred to herein and the effect thereof shall be given by Company to all Participants as soon as practicable.
- (ii) In the event of a notice being given by the Company to its Shareholders to convene a general meeting for the purpose of approving a resolution to voluntarily wind-up the Company when the Company is solvent, the Company shall, on the day of such notice to each Shareholder or as soon as practicable, give notice thereof to all Participants. Thereupon each Participant shall be entitled to exercise all or any of his Option at any time no later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Participants fully paid.

(I) Lapse of option

An Option shall lapse forthwith (to the extent not already exercised) on the earliest of:

- (i) the relevant option period of the Option having expired;
- (ii) the first anniversary of the death of the Participant;
- (iii) in the event that the Participant was an employee or officer of any member of the Group on the date of grant of Option to him/her, the date on which such member of the Group terminates the Participant's employment on the ground that the Participant has been guilty of serious misconduct or commits an act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or the Participant is removed from his or her office under the service contract of the Participant with a member of the Group. A resolution of the Board to the effect that such employment or office has or has not been terminated or removed on one or more of the grounds specified in this sub-paragraph shall be conclusive;
- (iv) in the event that the Participant was an employee or officer of any member of the Group on the date of grant of Option to him/her, the expiry of a period of three months from the date of the Participant ceasing to be an employee or officer of such member of the Group by reason of:
 - (1) his or her retirement on or after attaining normal retirement age or, with the express consent of the Board in writing for the purpose of this sub-paragraph, at a younger age;
 - (2) ill health or disability recognised as such expressly by the Board in writing for the purpose of this sub-paragraph (2);
 - (3) the company by which he/she is employed and/or of which he/she is a director (if not the Company) ceasing to be a subsidiary of the Company;
 - (4) expiry of his/her employment contract or vacation of his/her office with such member of the Group and such contract or office is not immediately extended or renewed; or
 - (5) at the discretion of the Board, any reason other than death or the reasons described in sub-paragraphs (iii) or (iv)(1) to (4) above;
- (v) the expiry of any period referred to in paragraphs (j) and (k), provided that in the case of paragraph (k)(i), all Options granted shall lapse upon the proposed compromise or arrangement becoming effective;
- (vi) the date the Participant commits any breach of the provisions of paragraph (g).

The Directors consider that in respect of the feasibility of having provisions to cater for automatic lapsing of Options granted to consultants of or advisers to the Group upon termination of their services to the Group, it will not be in their best interest to have such provisions because such consultants or advisers will not find the Options sufficiently attractive to justify a substantial discount of their fees for services to the Group.

(m) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an Option will be subject to the Company's bye-laws and will rank *pari passu* in all respects with the fully paid or credited as fully paid Shares in issue on the date of issue.

(n) Cancellation of options granted

Any cancellation of Options granted but not exercised must be approved by the Shareholders in general meeting, with Participants and their associates abstaining from voting. Any vote taken at the meeting to approve such cancellation must be taken by poll. Cancelled Options may be re-issued after such cancellation has been approved, provided such re-issued Options shall only be granted in compliance with the terms of the Post-IPO Share Option Scheme.

Notwithstanding the above, new Options may be granted to the Option holder in substitution of his cancelled Options subject to the availability of the unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

(o) Period of Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme will remain valid for a period of 10 years commencing on 5th July, 2002 after which period no further Options may be granted but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provision of the Post-IPO Share Option Scheme and Options which are granted during the life of the Post-IPO Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(p) Alteration to and Termination of Share Option Scheme

The Post-IPO Share Option Scheme may be altered in any respect by resolution of the Board, except that the provisions of the Post-IPO Share Option Scheme relating to matters contained in rule 23.03 of the GEM Listing Rules shall not be altered relating to matters as to the advantage of the Eligible Persons or the Participants except with the prior approval of the Shareholders in general meeting (with the Eligible Persons, the Participants and their associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such number of the Participants as shall together hold outstanding Options in respect of not less than three-fourths in nominal value of all Shares then subject to the outstanding Options held by all Participants.

Any alteration to the terms and conditions of the Post-IPO Share Option Scheme which are of a material nature shall first be approved by the Stock Exchange, and any such alteration and any change to the terms of the Options granted must be approved by the Shareholders, except where the alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme.

The Company may by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Post-IPO Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Post-IPO Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms. Details of the Options granted, including Options exercised or outstanding, under the Post-IPO Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to the Shareholders seeking approval for the first new scheme to be established after such termination.

(q) Grant of options to connected persons, Directors or any of their associates

Where Options are proposed to be granted to a Director, Chief Executive (within the meaning ascribed to it under the GEM Listing Rules), management shareholder (within the meaning ascribed to it under the GEM Listing Rules) or substantial Shareholders (within the meaning ascribed to it under the GEM Listing Rules) or any of their respective associates, the proposed grant must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to a substantial Shareholder or an independent non-executive Director or their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options granted and to be granted to such person under the Post-IPO Share Option Scheme and the Other Schemes (including both exercised and outstanding Options) in any 12-month period up to and including the date of the grant exceeding 0.1 per cent. of the Shares in issue from time to time and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of \$5 million, then the proposed grant of Options must be subject to Shareholders' approval in general meeting taken on a poll. All such connected persons must abstain from voting, except that any such connected person may vote against the resolution provided that his intention to do so has been stated in the circular relating to such Shareholders' approval.

Shareholders' approval as described above will also be required for any change in the terms of any Options granted to an Eligible Person who is a substantial Shareholder, an independent non-executive Director or their respective associates.

The circular must contain the following:

- (i) details of the number and terms of the Options (including the subscription price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price;

- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the Options in question) to the independent Shareholders as to voting; and
- (iii) all other information as required by the GEM Listing Rules.

For the avoidance of doubt, the requirements for the granting of Options to a Director or Chief Executive set out in this paragraph (q) do not apply where the Eligible Person is only a proposed Director or Chief Executive.

(r) Conditions of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme is conditional on (i) the GEM Listing Committee of the Stock Exchange granting approval of the Post-IPO Share Option Scheme and any Options which may be granted thereunder and the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of Options; (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the Sponsor (on behalf of the Underwriters) not being terminated in accordance with the terms of the Underwriting Agreement or otherwise; and (iii) the Post-IPO Share Option Scheme being approved by the Shareholders of the Company at its general meeting.

As at the Latest Practicable Date, no Options have been granted or agreed to be granted by the Company. As at the date hereof, the Group has not adopted any share option scheme other than the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme.

Application has been made to the Stock Exchange for the approval of the Post-IPO Share Option Scheme, the subsequent granting of Options and listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options.

Summary of the terms of the Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of certain directors, employees and advisers of members of the Group to the growth of the Group. The principal terms of the Pre-IPO Share Option Scheme, which is conditionally approved by a written resolutions of the shareholders of the Company dated 5th July, 2002, are substantially the same as the terms of the Post-IPO Share Option Scheme except that:–

- (a) the subscription price for Shares shall be 50% of the Offer Price (as defined in the Prospectus);
- (b) no option shall be exercisable prior to the expiry of the period of six months from the Listing Date;
- (c) the total number of Shares subject to the Pre-IPO Share Option Scheme is 48,000,000 Shares (assuming the Over-allotment Option is not exercised) and there are no similar requirements on granting options to connected persons as summarised in sub-paragraph (q) of “Grant of options to connected persons, Directors or any of their associates” above);

- (d) the definition of “Eligible Person” includes any full-time and part-time employee, consultants, advisers and director of the Group; and
- (e) save for the options which have been conditionally granted (see below), no further options will be offered or granted as the right to do so will end on the day immediately prior to the day on which the registration of this prospectus with the Registrar of Companies in Hong Kong takes place.

An option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme at any time for a period of 10 years which shall commence on the date of the grant of the option on 5th July, 2002. An option may be exercised by a grantee at any time during the aforesaid option period (in a board lot or an integral multiple thereof) and no option shall be granted to any Eligible Person which will result in the total number of Shares issued and to be issued upon exercise of all options granted or to be granted to such Eligible Person exceeding 1 per cent. of the enlarged issued share capital of the Company immediately after completion of the Capitalisation Issue and the Share Offer assuming the Over-allotment Option is not exercised.

The grantees may exercise the options conditionally granted to him or her under the Pre-IPO Share Option Scheme as follows:

- (i) during the period from the date next following the expiry of the six month period from the Listing Date up to the business day immediately prior to the date of the first anniversary of the Listing Date, the grantee to whom options have been conditionally granted is entitled to exercise such subscription rights attaching to the options as representing up to one-half of the maximum number of Shares which he or she is entitled to subscribe under the options (rounded down to the nearest whole number);
- (ii) during the period from the date of the first anniversary of the Listing Date up to the business day immediately prior to the date of the second anniversary of the Listing Date, the Grantee may exercise such subscription rights attaching to the options as representing up to one-half of the maximum number of Shares which he or she is entitled to subscribe under the options (inclusive of any Shares issued to the grantee pursuant to any previous exercise(s) of the options and rounded down to the nearest whole number); and
- (iii) from the date of the second anniversary of the Listing Date, the grantee may exercise such subscription rights attaching to the options as representing all the remaining Shares which he or she is entitled to subscribe under the options.

Application has been made to the GEM Listing Committee for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

Name	Title	Address	No. of share option
Executive Director			
Wong Yuen Yee	Chairman	Flat 2403 Harbour View Garden Tower 1, 1B Sands Street Hong Kong	4,800,000
Wong Kwok Sing	Deputy Chairman	Room 2304, 23rd Floor Harbour View Garden Tower 1, 1B Sands Street Hong Kong	4,800,000
Wong Yao Wing, Robert	Chief Executive Officer	Flat 27D, Block 4 The Tolo Place, Ma On Shan Shatin, New Territories Hong Kong	4,800,000
Lam Shiu San	Chief Technology Officer	Flat D, 33rd Floor Block 9, Kenswood Court Kingswood Villa Tin Shui Wai New Territories Hong Kong	4,800,000
Senior Management			
Chow Kam Wing	Consultant	28A Hoi Sing Mansion Taikoo Shing Hong Kong	4,800,000
Wong Yuen Man, Alice	Director of Human Resources and Communications	Room 301 South Terrace Ka Wai Man Road Kenneday Town Hong Kong	4,800,000

Name	Title	Address	No. of share option
Staff			
Lei Sau Ian	Project Manager	Ground Floor 117 Sai Yee Street Mong Kok Kowloon Hong Kong	3,360,000
Leung Siu Fai	Sales Manager	5A, Tower 21 Parc Oasis Tat Chee Avenue Kowloon Tong Kowloon Hong Kong	4,800,000
Tong Kam Ip	Executive Secretary	Room 1504 Chu Fung House Fung Tak Estate Diamond Hill Kowloon Hong Kong	3,840,000
Leung Ka Shing	Project Design Officer	Flat A, 1st Floor Tak Fook Building 28 Factory Street Shaukeiwan Hong Kong	3,840,000
Ng Sze Wan	Executive Assistant	Room 1809 Cheuk Wah House Hing Wah (1) Estate Chai Wan Hong Kong	3,360,000
		Total	48,000,000

OTHER INFORMATION

Estate duty and tax indemnity

The Controlling Shareholders have entered into the Deed of Indemnity with the Company to jointly and severally provide indemnities in favour of the Group in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of the Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of the Group on or before the date on which the Share Offer becomes unconditional. The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in Bermuda or BVI.

Under the Deed of Indemnity, each of the Controlling Shareholders has also given indemnities to the Group in relation to taxation (including all costs, interest, penalties, charges and expenses incidental or relating thereto) which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received, or any event, omission or transactions occurring or deemed to occur, on or before the date on which the Share Offer becomes unconditional.

The Controlling Shareholders shall be under no liability under the Deed of Indemnity in respect of any taxation:–

- (i) to the extent that provision or reserve for such taxation has been made in the audited accounts of each member of the Group for the year ended on 31st March, 2002 (the “Accounts”);
- (ii) the taxation for which any member of the Group is or may become primarily liable as a result of transactions entered into in the ordinary course of business after 31st March, 2002;
- (iii) to the extent of any provision or reserve made for such taxation in the Accounts which is finally established to be an over-provision or an excessive reserve then the Controlling Shareholders’ liability (if any) in respect of taxation shall be reduced by an amount not exceeding such over provision or excessive reserve provided that the amount of any such provision or reserve applied as mentioned therein to reduce the Controlling Shareholders’ liability in respect of taxation shall not be available in respect of any such liability arising thereafter in which event the Controlling Shareholders shall be obliged to indemnify each member of the Group against any liability, loss or damages from such liability;
- (iv) the taxation which would not have arisen but for any act or omission by any member of the Group voluntarily effected otherwise than in the ordinary course of business after 31st March, 2002; and
- (v) such taxation claim arises or is incurred as a result of any retrospective change in any law or the interpretation or practice thereof coming into force after the date on which the Share Offer becomes unconditional or to the extent such taxation claim arises or is increased by an increase in rates of taxation after such date with retrospective effect.

Particulars of the Vendor

Particulars of the Vendor are as follows:

Name	Description	Address	Number of Sale Shares
Multiturn Trading Limited (Note 1)	Initial Management Shareholder	P.O. Box 957 Offshore Incorporations Centre Road Town Tortola British Virgin Island	24,000,000

Note:

- Multiturn Trading Limited is beneficially owned by Ms. YY Wong, Mr. Wong, Mr. Chow and Mr. Lam as to 31%, 31%, 31% and 7% respectively.

Particulars of the Grantors

Particulars of the Grantors are as follows:

Name	Description	Address	Number of Over-allotment Shares
Mr. Lai Ping Wah	Independent individual investor	18A, Block 3 Tanner Garden No. 18 Tanner Road North Point Hong Kong	3,696,000
Mr. Wong Shui Fun	Independent individual investor	No. 2 Sing Woo Crescent 3B May Lam Mansion Happy Valley Hong Kong	3,696,000
Pok Sun Enterprises Limited	Independent corporate investor	P.O. Box 957 Offshore Incorporation Centre Road Town Tortola British Virgin Islands	5,424,000
Innomore Assets Limited	Independent corporate investor	P.O. Box 957 Offshore Incorporations Centre Road Town Tortola British Virgin Islands	5,184,000

Litigation

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

Sponsor

Hantec Capital Limited has made an application on behalf of the Company to the GEM Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may be issued upon the exercise of the Over-allotment Option and options granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme.

Preliminary expenses

The estimated preliminary expenses of the Company are approximately US\$6,500 and are payable by the Company.

Promoters

The promoters of the Company are Ms. YY Wong and Mr. Wong.

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no payment or benefit of any commissions, discounts, brokerages or other special terms has been paid or given to the promoters in connection with the Share Offer or the related transactions described in this prospectus.

Qualifications of experts

The qualifications of the experts who have given opinion in this prospectus are as follows:

Name	Qualification
Hantec Capital Limited	Registered investment adviser and securities dealer
KPMG	Certified Public Accountants
Conyers Dill & Pearman	Bermuda attorneys-at-law
Guang Xin Lawyers	PRC attorneys-at-law
RHL Appraisal Limited	Professional surveyors and valuers

Consents

Each of Hantec Capital Limited, KPMG, Conyers Dill & Pearman, Guang Xin Lawyers and RHL Appraisal Limited have given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, valuation or letters (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

Miscellaneous

The Company has established its principal place of business at Room 2303, 23rd Floor, Tung Wai Commercial Building, 109-111 Gloucester Road, Wanchai, Hong Kong and has submitted an application to the Registrar of Companies in Hong Kong to be registered in Hong Kong as an overseas company under Part XI of the Companies Ordinance. Pursuant to the said application, Ms. YY Wong and Mr. Chow are appointed as the authorised representative of the Company for the acceptance of service of process in Hong Kong.

The Company has no founder shares, management shares or deferred shares.

Save as disclosed herein, since the date falling two years immediately prior to the date of this prospectus:

- (a) no share or loan capital of the Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (b) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
- (c) no commission has been paid or payable except commission payable to sub-underwriters for subscribing, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares to the Company or any of its subsidiaries; and
- (d) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

Save as disclosed herein, none of the experts named in the paragraph headed “Qualifications of experts” in the section headed “Other information” in this Appendix has:

- (a) any shareholding in any member in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in the Group or is an officer or servant, or a partner of or in the employment of an officer or servant of the Group; or
- (b) any direct or indirect interest in the promotion of the Company or in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group within the two years immediately preceding the date of this prospectus.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE** and **YELLOW** application forms, written consents referred to in the paragraph headed “Consents” in Appendix IV to this prospectus, copies of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix IV to this prospectus, the statement of adjustment prepared by KPMG in arriving the figures set out in the accountants’ report and the statement of the Vendor and the Grantors including their names, addresses and description. A copy of this prospectus and copies of the **WHITE** and **YELLOW** application forms have also been filed with the Registrar of Companies in Bermuda.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Stevenson, Wong & Co. at Rooms 2002-2009, 20th Floor, Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including 13th August, 2002:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the accountants’ report, the text of which is set out in Appendix I to this prospectus, together with the related statement of adjustments;
- (c) the audited financial statements of each of the Company’s subsidiaries for each of the period from 23rd August, 1999 to 31st March, 2000, the year ended 31st March, 2001 and the year ended 31st March, 2002;
- (d) the letter and valuation certificate in respect of the property interest of the Group, the text of which is set out in Appendix II to this prospectus;
- (e) the rules of the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme;
- (f) the Companies Act;
- (g) the letter of advice prepared by Conyers Dill & Pearman referred to in Appendix III to this prospectus summarising certain aspects of Bermuda company law;
- (h) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix IV to this prospectus;
- (i) the service agreements referred to in the paragraph headed “Particulars of service contracts” in Appendix IV to this prospectus;
- (j) the written consents referred to in the paragraph headed “Consents” in Appendix IV to this prospectus; and
- (k) the statements of the Vendor and the Grantors respectively including their names, addresses and description.