

## iAsia Technology Limited

(incorporated in Hong Kong with limited liability under the Companies Ordinance)



PLACING AND PUBLIC OFFER

Bookrunner, Sponsor and Lead Manager



Co-Lead Managers

**JS CRESVALE**  
JS Cresvale International Limited



**KINGSTON**

**NOMURA**

**trading GURU.com**  
Securities Limited

iAsia Technology 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.



**iAsia Technology Limited**  
**亞洲網上交易科技有限公司**

*(incorporated in Hong Kong with limited liability under the Companies Ordinance)*

**Listing on**  
**the Growth Enterprise Market of**  
**The Stock Exchange of Hong Kong Limited**

**by way of Placing and Public Offer**

<b>Number of Offer Shares</b>	<b>:</b>	<b>90,000,000 Shares (subject to Over-allotment Option)</b>
<b>Number of Placing Shares</b>	<b>:</b>	<b>81,000,000 Shares (subject to adjustment)</b>
<b>Number of Public Offer Shares</b>	<b>:</b>	<b>9,000,000 Shares (subject to adjustment)</b>
<b>Offer Price</b>	<b>:</b>	<b>not more than HK\$0.70 per Share, payable in full on application (subject to refund)</b>
<b>Nominal value</b>	<b>:</b>	<b>HK\$0.10 each</b>
<b>Stock code</b>	<b>:</b>	<b>8101</b>

**Bookrunner, Sponsor and Lead Manager**



**FIRST SHANGHAI CAPITAL LIMITED**

**Co-lead Managers**

**TradingGuru.com Securities Limited**  
**Nomura International (Hong Kong) Limited**

**Kingston Securities Limited**  
**JS Cresvale International Limited**

**Co-Managers**

**Emperor Securities Limited**  
**Young Champion Securities Limited**  
**Guotai Junan Securities (Hong Kong) Limited**

**GC Securities Limited**  
**HT Securities Limited**  
**South China Securities Limited**

The Stock Exchange of Hong Kong Limited and 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 Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 38D of the Companies Ordinance (Chapter 32, Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other document referred to above.

The Offer Price (as defined in this prospectus) is expected to be fixed by agreement between iAsia Technology Limited (the "Company") and First Shanghai Capital Limited (on behalf of the Underwriters (as defined in this prospectus)) at or before the Price Determination Time (as defined in this prospectus), which is currently scheduled at 5:00 p.m. on 28th March, 2001 or by the latest at 12:00 noon on 29th March, 2001. If First Shanghai Capital Limited (on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price by 12:00 noon on 29th March, 2001, the Share Offer (as defined in this prospectus) will not become unconditional and will lapse. The Offer Price will not be more than HK\$0.70 per Share (as defined in this prospectus) and is currently expected to be not less than HK\$0.64 per Share. First Shanghai Capital Limited (on behalf of the Underwriters) may, with the consent of the Company, reduce the indicative Offer Price range below that stated in this prospectus (being HK\$0.64 to HK\$0.70 per Share) at any time prior to 12:00 noon on 29th March, 2001. If this occurs, notice of reduction in the indicative Offer Price range will be published on the GEM Website and in the South China Morning Post in English and the Hong Kong Economic Times in Chinese by no later than the morning of 30th March, 2001. If, for any reason, the Offer Price is not agreed between the Company and First Shanghai Capital Limited (on behalf of the Underwriters), the Share Offer will not proceed.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" of this prospectus.

23rd March, 2001

## **CHARACTERISTICS OF GEM**

**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 companies operate. 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 in order to obtain up-to-date information on GEM-Listed companies.**

## EXPECTED TIMETABLE

2001

### Latest time to lodge **WHITE** and **YELLOW**

application forms .....	12:00 noon on Wednesday, 28th March
Application lists open ( <i>Note 2</i> ) .....	11:45 am on Wednesday, 28th March
Application lists close .....	12:00 noon on Wednesday, 28th March
Price Determination Time at or before .....	5:00 p.m. on Wednesday, 28th March (and in any event by no later than 12:00 noon on Thursday, 29th March )

Announcement of the Offer Price, the general level of indication of interest in the Placing, the results and basis of allotment of the Public Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), as well as on the GEM website on or before .....

Tuesday, 3rd April

Despatch of share certificates and refund cheques in respect of wholly or partially unsuccessful applications on or before (*Notes 3 to 5*) .....

Wednesday, 4th April

Dealings in Shares on the GEM to commence on .....

Monday, 9th April

### 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 in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 28th March, 2001, the application lists will not open on that day. See the paragraph headed "Effect of bad weather on the opening of the application lists" in the section headed "How to apply for the Public Offer Shares" of this prospectus.
3. Applicants who apply on **WHITE** application forms for 1,000,000 Shares or more under the Public Offer and have indicated in their application forms that they wish to collect refund cheques and (where applicable) share certificates in person from the Company's share registrar, Abacus Share Registrars Limited at Room 2401, Prince's Building, Central, Hong Kong, may do so in person from 9:00 a.m. to 1:00 p.m. on Wednesday, 4th April, 2001. Applicants being individuals who opt for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations which opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation's chop. Identification and (where applicable) authorisation documents acceptable to Abacus Share Registrars Limited must be produced at the time of collection. If you have not indicated on your application form that you will collect your refund cheque(s) and/or share certificate(s), your refund cheque(s) and/or share certificate(s) will be sent to the address specified in your application form on the date of despatch, by ordinary post and at your own risk.
4. Applicants who apply on **YELLOW** application forms for 1,000,000 Shares or more under the Public Offer may collect their refund cheques, if any, in person but may not elect to collect their share certificates, which will be deposited into CCASS for the credit of their designated CCASS participant's stock accounts or investor participant stock accounts, as appropriate. The procedure for collection of refund cheques for **YELLOW** application form applicants is the same as those for **WHITE** application form applicants as mentioned in note 3 above.
5. Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant application forms. Further information is set out in the paragraph headed "Despatch/collection of share certificates and refund cheques" in the section headed "How to apply for the Public Offer Shares" of this prospectus.
6. For details of the structure and conditions of the Share Offer, see the section headed "Structure and conditions of the Share Offer" of this prospectus.
7. If there is any change to the above expected timetable, the Company will make appropriate announcement to inform investors.

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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 in this prospectus must not be relied on by you as having been authorised by the Company, the Sponsor, the Underwriters, their respective directors, or any other person involved in the Share Offer.*

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## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. As it 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. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

## INTRODUCTION

Currently, online securities trading in the Pan-Asian region, in total, accounts for a relatively small portion of the total volume of securities traded on stock exchanges in such region. However, with the popularity of the Internet and the improvement on the Internet infrastructure and security, the Directors believe that online securities trading will experience explosive growth and popularity in the next few years.

The Group is principally engaged in the provision of comprehensive real time online trading solutions to brokers and other financial institutions in the Pan-Asian region. The Directors believe that as the Group acts as a service bureau, brokers and other financial institutions can outsource their trading facilities, technical support, maintenance, accounting and back-office needs to the Group so that they can focus their resources on customer acquisition and retention, along with the development of other value added services. The Group aims to provide a total end-to-end solution with straight through processing of orders, taking care of both the front end execution and the back office settlement sides.

Founded by an experienced management team with the support of a highly respectable shareholders' base, who are well-known both in Hong Kong and overseas, the Group has been actively progressing in developing itself as one of the leading online trading solution providers in the Pan-Asian region since its inception in September 1999.

As at the Latest Practicable Date, the Group had strategic collaboration or partnership with four strategic partners to provide assistance in obtaining local governmental and regulatory approvals for online trading, local executions for cross border trades, internet access, bandwidths, lines and facilities for the service bureau, marketing and promotion support, and to ensure compliance with applicable laws and regulations, three technology partners to provide technical support and know-how for the development phase and for the on-going support and maintenance and second level customer support services, and three content partners to provide a comprehensive range of financial contents including price feeds, analysis, charting market news and research. The collaboration or partnership with these partners in their respective fields strengthen the Group's competitive position in the industry and enable the Group's clients to enjoy collaborative marketing, technology and sales benefits. Background of the Group's strategic partners, technology partners and content partners are set out in the section headed "Business" of this prospectus.

## SUMMARY

### COMPETITIVE STRENGTHS

The Directors consider that the competitive strengths of the Group are as follows:

- **Strong management** – The management of the Group includes expertise across broad areas. It includes specialists in the fields of trading, telecommunications, web design, WAP system, network architecture, back-office, Internet security, business development and corporate finance, with backgrounds in international financial institutions as well as extensive local knowledge in Asia, particularly the Hong Kong stock market;
- **Strategic collaboration with local partners to create synergy** – It helps developing products to cope with specific requirements in different markets. In addition, the Group is able to leverage on some of its local partners' established presence to gain quick recognition in the respective markets;
- **Sound technical specialists and well-known technology partners** – The technical team of the Group comprises industry experts in online securities trading development, together with specialists from the IT industry. Lining up with well-known technology partners, the Directors believe that the Group is well equipped to develop efficient, secured and reliable software application for online trading system;
- **Advantage of being a pioneer with respect to cross border online trading solution** – The Group is one of the pioneers in the development and provision of online trading solutions in the Pan-Asian region. As such, the Group is well positioned to tap on the evolving financial markets in the Pan-Asian region; and
- **Focus on the financial markets and provide comprehensive range of products** – The Group has been concentrating on developing online trading solutions to brokers and financial institutions utilising its management and expertise in the fields of IT and finance. The Group has been emphasising on developing online trading solutions for a comprehensive range of financial products via different access channels, so as to enhance the value of its cross border trading solutions. The Directors believe that its focus on the financial markets and its vision on product development would allow the Group to understand and match the demand and needs of the market, thereby positioning itself as one of the leading online trading solutions providers in the Pan-Asian region.

### MARKET POTENTIAL AND BUSINESS OPPORTUNITIES

The Directors are of the view that investors may benefit from online trading. According to IDC, 40% of all trades in the APEJ will be conducted online by 2004. In addition, the number of online investors in APEJ trading through the Internet will increase at a compound average growth rate of 50%. As such, the Directors believe that the growing popularity of online trading will bring in more opportunities for the Group to provide online trading solutions to brokers.

In order to be able to process such a high volume of transactions, online brokers may need to invest in their infrastructures to enhance their capacities. Given the huge amount of capital investment that may be needed in developing online securities trading system, the Directors believe that small to medium sized brokers may not be able to afford such level of capital investment.

## SUMMARY

The Directors envisage that there are business opportunities to provide online trading solutions to brokers and other financial institutions who wish to outsource their trading facilities, technical support, maintenance, accounting and back-office needs, thereby enabling clients to save a portion of capital investment in developing their own online trading system by tapping on the Group's benefits of economies of scale.

### **BUSINESS STRATEGIES**

The Directors have set the following strategies for the Group to capitalise on the enormous market potential of online trading opportunities throughout Asia:

- establish the Group as a one-stop shop for the provision of cross border online trading solutions;
- provide efficient, secured and reliable online trading solutions for brokers from different countries to conduct round-the-clock online trading, featuring the “five multiples”, being multiple financial products (such as stocks, futures, commodities and foreign currency exchange), multiple currencies capabilities, multiple language capabilities, multiple market coverage and multiple access channels (such as Internet, WAP, short message system and interactive television);
- help clients to offer investors real time online cross border connections to a Pan-Asian network of established broker partners in offshore markets and exchanges, thus bringing them with new cross border trading opportunities and making it easier for their investors to broaden their financial and geographical horizons;
- seek potential strategic investments in IT and Internet related businesses involving the provision of online trading which may create synergies with the existing business of the Group;
- line up with local partners in jurisdictions outside Hong Kong to develop online trading system to suit different needs and requirements in the corresponding financial industries, as well as business environment in different jurisdictions;
- leverage off the IT knowledge of the Group's technical staff and its technology partners, as well as the financial market knowledge of its management;
- provide customisation services to cater for clients' specific needs;
- continue to dedicate itself to research and development of online trading solution and other related products;
- continue to use its best endeavours to control the quality of the Group's products and to maintain its high standard of quality of services; and
- explore other business models to meet the specific needs of brokers and markets where the Group operates and intends to operate its business.

## SUMMARY

### Warning:

The future plans and business prospects of the Group described in the section headed “Business objectives” of this prospectus are based on existing plans and intentions of the Company. As such intentions and plans are based on the assumptions set out in the paragraph headed “Bases and assumptions of the Business Plan” in the section headed “Business objectives” of this prospectus, which by their nature are subject to uncertainties arising from changes in operating environment, the Group’s actual course of business development may vary from the intentions and plans described in this prospectus. Although the Directors are committed to use their best endeavours to execute the Business Plan in accordance with the timeframe and budget set out herein, there is no assurance that the Business Plan will materialise, or be executed in accordance with the set timeframe and budget, or the objectives of the Group will be fully accomplished.

### REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

The Directors are of the view that the net proceeds from the Share Offer will strengthen the Group’s capital base and will provide funding for implementing the Business Plan. The net proceeds from the Share Offer, based on the Offer Price of HK\$0.67 per Share (being the mid-point of the indicative range of the Offer Price of between HK\$0.64 and HK\$0.70 per Share), excluding any proceeds from the exercise of the Over-allotment Option, are estimated to be approximately HK\$50 million. The Directors at present intend to apply such net proceeds in the following manner:

#### Infrastructure development

- as to approximately HK\$12 million for infrastructure development of the Group’s trading services bureau and cross border connections to a Pan-Asian network of local stock brokers in offshore markets and exchanges. Capital expenditures include system development, network and equipments that are acquired for setting up service platforms;

#### Research and development

- as to approximately HK\$9 million for research and development of software localisation and customisation, product and content development as well as other trading platform functionalities to suit the Group’s target market needs, and continue to review and implement new financial services and products to further extend the Group’s services and markets;

#### Investment projects

- as to approximately HK\$14 million for setting up joint ventures with the Group’s proposed or existing strategic partners in the Group’s target markets to facilitate the Group’s penetration to local market and help the establishment of the Group’s local presence and market influence, and to increase its market share and market growth. Target markets include the Philippines, Taiwan, Singapore, Thailand and the PRC; and

## SUMMARY

### Others

- as to the balance of approximately HK\$15 million as general working capital of the Group.

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 they should be placed on short-term deposits with banks or financial institutions in Hong Kong. If for any reason the proceeds are not utilised as described above or are reallocated, the Company will issue an announcement in accordance with the GEM Listing Rules.

The above intended use of proceeds is calculated based on the assumption that the Offer Price is set at HK\$0.67 per Share. In the event that the Offer Price deviates from the assumed HK\$0.67 per Share, the amount of the net proceeds will be different. The Directors intend that any shortfall between the estimated net proceeds and the actual proceeds finally received by the Group will be approximately HK\$3 million and any surplus arising thereon will be approximately HK\$3 million. The Directors believe that such deviation will not have any material impact on the Business Plan as described in this prospectus.

However, the Directors are of the view that the net proceeds of the Share Offer are not sufficient to finance the Business Plan in full. Accordingly, the Group may need to raise additional funds through other fund raising exercises, including bank borrowings, issuance of debt securities and equity financing, to finance the expansion and further development of its existing business or the acquisitions set out in the Business Plan. Please refer to the section headed “Risk factors” of this prospectus for more details.

Should the Over-allotment Option be exercised in full, the Company would receive additional net proceeds from issue of new Shares of approximately HK\$9 million based on an Offer Price of HK\$0.67 per Share, which the Directors intend to allocate such additional proceeds for general working capital purpose.

In the event that any part of the Business Plan does not materialise or proceed as planned, the Directors will carefully evaluate the situation and may reallocate the intended funding to other business plans and/or to new projects of the Group and/or to hold such funding as short-term deposits as long as the Directors consider it to be in the best interests of the Company and Shareholders taken as a whole and to be in compliance with the GEM Listing Rules. In such event, an announcement will be made as and when appropriate for such purpose.

## SUMMARY

### TRADING RECORDS

The following is a summary of audited results of the Company and the audited consolidated results of the Group for the period from 24th September, 1999 (date of incorporation) to 30th September, 2000 and the four month period ended 31st January, 2001 respectively, which have been extracted from the accountants' report set out in Appendix I to this prospectus.

	<b>Company</b> <b>Period from</b> <b>24th September,</b> <b>1999 (date of</b> <b>incorporation)</b> <b>to 30th September,</b> <b>2000</b> <i>HK\$'000</i>	<b>Group</b> <b>Four month</b> <b>period ended</b> <b>31st January,</b> <b>2001</b> <i>HK\$'000</i>
Turnover		
System customisation fees	3,502	–
Hook up fees	260	85
Sale of back office systems	378	15
Messaging fees	6	24
Data management fees	–	3
Content management and subscription fees	–	21
	4,146	148
Other revenue	195	174
Changes in work-in-progress	351	(20)
Work performed by the Group and capitalised under fixed assets	2,343	1,284
Staff costs	(11,161)	(6,787)
Depreciation	(980)	(1,301)
Other operating expenses	(5,427)	(2,166)
	(10,533)	(8,668)
Finance costs	(29)	(17)
	(10,562)	(8,685)
Loss for the period	(10,562)	(8,685)
Loss per share (HK\$) ( <i>Note</i> )	(0.11)	(0.03)

*Note:*

The calculation of the loss per share for the Relevant Periods is based on the results for each of the Relevant Periods and the weighted average of 99,368,587 ordinary shares and 289,157,437 ordinary shares in issue during the periods ended 30th September, 2000 and 31st January, 2001 respectively. The weighted average number of shares in issue during the Relevant Periods has taken into account the subdivision of one share of HK\$1.00 each into 10 shares of HK\$0.10 each of the Company on 14th March, 2001.

## SUMMARY

### ACCOUNTANTS' REPORT COVERING AT LEAST TWO FINANCIAL YEARS

According to Rules 7.03(1) and 11.10 of the GEM Listing Rules, the Company is required to include its financial results in the accountants' report covering at least the two financial years immediately preceding the issue of the listing document.

As the financial year of the Group ends on 30th September, and this prospectus includes the results of the Company covering the period from 24th September, 1999 to 30th September, 2000 and the four month period ended 31st January, 2001, the Directors consider that strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules would be impractical and unduly burdensome.

The Company has therefore applied for a waiver from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules from the Stock Exchange. The Stock Exchange has granted a waiver in relation to strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules such that the accountants' report covers only the period from 24th September, 1999 to 30th September, 2000 and the four month period ended 31st January, 2001.

The Directors confirm that they have performed sufficient due diligence on the Group to ensure that up to the date of issue of this prospectus, there has been no material adverse change in the financial position of the Group since 1st February, 2001 and up to Latest Practicable Date, and there is no event which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.

### SHARE OFFER STATISTICS (Note 1)

	Based on an Offer Price of HK\$0.64 per Share	Based on an Offer Price of HK\$0.70 per Share
Market capitalisation (Note 2) .....	HK\$288 million	HK\$315 million
Adjusted net tangible asset value per Share (Note 3) .....	HK\$0.16	HK\$0.17

*Notes:*

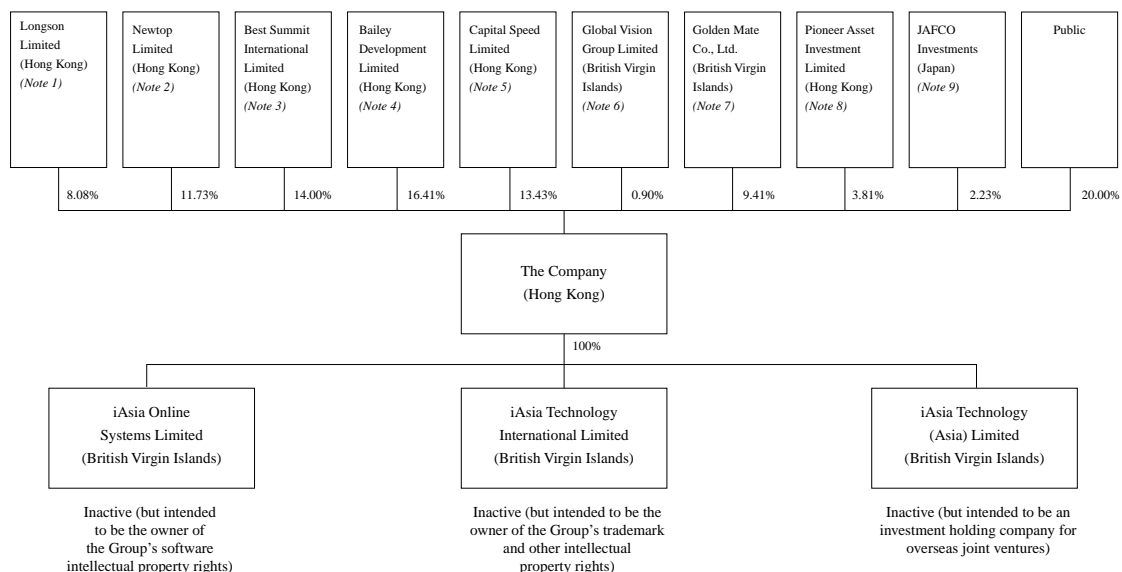
1. Except where otherwise indicated, the statistics have been prepared on the assumption that no Shares will be allotted and issued pursuant to the exercise of the Over-allotment Option or of any options which have been granted or may be granted under the Pre-IPO Share Option Plan and the Share Option Scheme.
2. The market capitalisation has been arrived at based on the Offer Price and 450,000,000 Shares in issue and to be issued as mentioned herein immediately after completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which have been granted or may be granted under the Pre-IPO Share Option Plan and the Share Option Scheme, or any Shares which may be allotted and issued as mentioned therein 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 or otherwise. If the Over-allotment Option is exercised in full, the market capitalisation of the Shares at the Offer Price of HK\$0.67 per Share (being the mid-point of the indicative range of the Offer Price of between HK\$0.64 and HK\$0.70 per Share) would be approximately HK\$311 million.

## SUMMARY

3. The adjusted net tangible asset value per Share has been arrived at after making the adjustments referred to in the paragraph headed “Adjusted net tangible assets” under the section headed “Financial information” of this prospectus and on the basis of a total of 450,000,000 Shares in issue and to be issued as mentioned herein immediately following completion of the Share Offer and the Capitalisation Issue. This takes no account of any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which have been granted or may be granted under the Pre-IPO Share Option Plan and the Share Option Scheme, or any Shares which may be allotted and issued as mentioned therein 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 or otherwise. If the Over-allotment Option is exercised in full or in part, the adjusted net tangible asset value per Share will be increased. However, the Directors believe that this will not have any material effect on the Shareholders.

## SHAREHOLDING STRUCTURE

Set forth below is the simplified shareholding structure of the Group immediately following completion of the Share Offer and the Capitalisation Issue but before the exercise of the Over-allotment Option:



*Notes:*

- Longson is a company incorporated in Hong Kong with limited liability under the Companies Ordinance and is entirely beneficially owned by Yu Ming.
- Newtop is a company incorporated in Hong Kong with limited liability under the Companies Ordinance and is owned as to 50% by Kateman International Ltd. and as to 50% by Potassium Corp.. Each of Mr. Joseph Fung, Mr. Thomas Fung and Mr. Tony Yeung beneficially owns or has control over 33<sup>1</sup>/<sub>3</sub>% of the issued share capital of Kateman International Ltd.. The entire issued share capital of Potassium Corp. is beneficially owned by Mr. Cheng.
- Best Summit is a company incorporated in Hong Kong with limited liability under the Companies Ordinance and is entirely beneficially owned by Dr. Lee.
- Bailey is a company incorporated in Hong Kong with limited liability under the Companies Ordinance and is beneficially owned as to 65% by Dr. Ho, as to 15% by the mother of Dr. Lee, Mrs. Lee Wong Fun Chong, as to 5% by the father of Dr. Lee, Mr. Lee Sing Man, as to 5% by Dr. Lee, as to 5% by Ms. Angela Leong, and as to the remaining 5% by two persons who are independent parties not connected with any of the chief executive, directors, initial management shareholders, substantial shareholders of the Company or their respective associates.
- Capital Speed is a company incorporated in Hong Kong with limited liability under the Companies Ordinance and is owned beneficially as to 51% by Mr. Ko and as to 49% by Mr. Yuen.

## SUMMARY

6. Global Vision Group Limited is a company incorporated in the British Virgin Islands with limited liability and is entirely beneficially owned by Mr. Robin Miles.
7. Golden Mate is a company incorporated in the British Virgin Islands with limited liability and is entirely beneficially owned by Mr. Lawrence Ho.
8. Pioneer Asset is a company incorporated in Hong Kong with limited liability under the Companies Ordinance and is beneficially owned as to 25% by Dr. Lee, as to 25% by the mother of Dr. Lee, Mrs. Lee Wong Fun Chong, as to 25% by the brother of Dr. Lee, Mr. Lee Jun Wai and as to 25% by the father of Dr Lee, Mr. Lee Sing Man.
9. JAFCO Investments consist of four partnerships, all of which are established in Japan. A subscription agreement dated 24th October, 2000 was entered into between, amongst others, the Company and JAFCO Co. Ltd., together with applications for subscription executed by JAFCO Investments in relation to the subscription of an aggregate of 812,815 shares of HK\$1.00 each of the Company by the JAFCO Investments at an aggregate subscription price of US\$1 million (approximately HK\$7.8 million) representing approximately HK\$0.78 per Share immediately following the completion of the Share Offer and the Capitalisation Issue.

Set out below is a summary of the number of attributable Shares, approximate total cost of investment, approximate average cost of investment per Share, as well as approximate percentage or attributable percentage of shareholding before and after completion of the Share Offer and the Capitalisation Issue, of the Shareholders who will be subject to lock up undertakings immediately after listing of the Shares on the GEM:

Shareholders	Number of attributable Shares immediately after completion of the Share Offer and the Capitalisation Issue	Date of becoming shareholders of the Company	Approximate total cost of investment HK\$	Approximate average cost of investment per Share HK\$	Approximate percentage or attributable percentage of shareholding before completion of the Share Offer and the Capitalisation Issue	Approximate percentage or attributable percentage of shareholding after completion of the Share Offer and the Capitalisation Issue	Period subject to lock up after Listing	Notes
Longson	36,378,847	20th January, 2000	3,600,000	0.10	10.11%	8.08%	1 year	(i)
Newtop	52,809,819	20th January, 2000	5,600,000	0.11	14.67%	11.73%	1 year	(i)
Best Summit	62,997,029	20th January, 2000	6,840,000	0.11	17.50%	14.00%	1 year	(i)
Bailey	73,846,513	20th January, 2000	8,114,609	0.11	20.51%	16.41%	1 year	(i)
Capital Speed	60,433,722	24th March, 2000	3,006,280	0.05	16.79%	13.43%	1 year	(i)
Global Vision Group Limited	4,042,094	24th March, 2000	40	n/a	1.12%	0.90%	1 year	(i) and (ii)
Golden Mate	42,326,273	14th September, 2000	5,152,010	0.12	11.76%	9.41%	1 year	(i)
Pioneer Asset	17,149,195	14th September, 2000	2,087,423	0.12	4.76%	3.81%	1 year	(i)
JAFCO Investments	10,016,508	15th November, 2000	7,800,000	0.78	2.78%	2.23%	1 year	(i)

*Notes:*

- (i) Each of the Initial Management Shareholders has undertaken to the Company, First Shanghai, and the Stock Exchange that during the First Relevant Lock-up Period it/he/she will not, save as provided in Rule 13.17 of the GEM Listing Rules, dispose of (or 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 its/his/her direct or indirect interests in the Relevant Securities, and during the Second Relevant Lock-up Period, each of the Initial Management Shareholders will not, save as provided in the GEM Listing Rules, dispose of (or 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 its/his/her respective Relevant Securities such that the Initial Management Shareholders would in aggregate cease to control at least 35% of the issue share capital of the Company (subject to disposal on a pro rata basis by each of the Initial Management Shareholders of a maximum of 56.25% of the Relevant Securities held by each of them). In addition, each of the ultimate beneficial owners of Longson, Newtop, Best Summit, Bailey, Capital Speed, Golden Mate, Pioneer Asset and Global Vision Group Limited (collective "Immediate Holding Companies") gives an undertaking to the

## SUMMARY

Company, the Underwriters and the Stock Exchange that it/he/she will not dispose of (or enter into any arrangement to dispose of) nor permit the registered holder thereof to dispose of (or enter into any agreement to dispose of) any of their respective direct or indirect interest in any of the Immediate Holding Companies for a period of 12 months from the Listing Date.

- (ii) The entire issued share capital of Global Vision Group Limited is wholly and beneficially owned by Mr. Robin Miles, the chief operating officer of the Company. These shares of the Company were allotted and issued to Mr. Robin Miles at the then nominal value of HK\$1.00 at that time as incentive management bonus for his working in Hong Kong as an United Kingdom expatriate and to recognise his contribution and commitment to the Company. His average cost of investment per Share is almost negligible.

### RISK FACTORS

The Directors consider that the operation of the Group is subject to a number of risk factors which can be categorised into (i) risk factors relating to the Group; (ii) risk factors relating to the industry; (iii) risk factors relating to Hong Kong and other Asian countries; and (vi) risk factors relating to the Shares, which are summarised as follows:

#### **Risk factors relating to the Group**

- The Group has a limited operating history upon which to evaluate its business model
- The Group has a history of losses and may continue to incur future losses
- The Group may not be able to implement its Business Plan successfully
- The Group's revenue and cash inflow may be affected by adverse movements in foreign exchange rates, and the Group may be exposed to currency conversion and foreign currency remittance risks
- Reliance on key personnel
- The Group's growth depends on its ability to attract qualified personnel
- The Group has a limited number of customers and may not be able to sign up new customers
- The Group's business may be harmed if the Group is unable to obtain additional funding to expand its business
- The Group's business may be adversely affected if the Group fails to develop or penetrate markets in Asia
- Threatened potential claims

#### **Risk factors relating to the industry**

- The Group may not be able to keep up with rapid change in technology in a cost-effective way
- The Group may face competition in Pan-Asian region

## SUMMARY

- Possible consolidation of the brokerage industry may affect the Group's business
- Reduction of brokerage commission may affect the Group's revenue and profit margin
- The Group's business may be adversely affected by low trading volume of the securities markets
- Asian stock exchanges may not be able to deliver a stable online trading facilities
- If the Group fails to achieve broad awareness of the Group's brand name, the Group's revenues from operations may not grow, or grow at a lower rate than expected
- Regulations of cross border trading
- A network failure of the Group's online trading system could cause the Group to lose new and existing brokerage customers
- Failure of the Group's encryption technology to protect the confidentiality of information transmitted over public networks could cause the Group to lose new and existing website subscribers and subject the Group to liability from them
- The Group's introduction of new products and services could be delayed or otherwise compromised if the Group becomes involved in litigation with respect to the use of the Group's intellectual property or if the Group fails to acquire any new technology necessary to its operations

### **Risk factors relating to Hong Kong and other Asian countries**

- If the Group does not protect its intellectual property rights, unauthorised use and misappropriation of the Group's technology could occur
- The Group is exposed to political and economic risks in Hong Kong and other Asian countries

### **Risk factors relating to the Shares**

- The trading price of the Shares may be subject to wide fluctuations
- The shareholders' interests in the Company may be diluted in the future as Shares may be issued to fund the Business Plan
- The shareholders' interests in the Company may be diluted in the future should any Shares be issued and allotted to settle any instalment of payment to its technology partner, Ebiz Solutions

**Please refer to the section headed "Risk factors" of this prospectus for more details.**

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" of this prospectus. You should read this section carefully before you decide to invest in the Offer Shares.*

## DEFINITIONS

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

“AFX-Asia”	AFX-Asia Pte. Ltd., background of which is set out in the paragraph headed “Content partners” under the section headed “Business” of this prospectus
“APEJ”	Asia Pacific (excluding Japan), which includes Australia, New Zealand, the PRC, Hong Kong, Taiwan, Singapore, Malaysia, India, Indonesia, Thailand, the Philippines and Vietnam
“Articles of Association” or “Articles”	the articles of association of the Company
“ASI”	Asia Strategic Inc., background of which is set out in the paragraph headed “Content partners” under the section headed “Business” of this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Bailey”	Bailey Development Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance and is beneficially owned as to 65% by Dr. Ho, as to 15% by the mother of Dr. Lee, Mrs. Lee Wong Fun Chong, as to 5% by the father of Dr. Lee, Mr. Lee Sing Man, as to 5% by Dr. Lee, as to 5% by Ms. Angela Leong, and as to the remaining 5% by two persons who are independent parties not connected with any of the chief executive, directors, initial management shareholders, substantial shareholders of the Company or their respective associates
“Best Summit”	Best Summit International Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance and is wholly beneficially owned by Dr. Lee
“Business Plan”	the business plan of the Group as adopted by the Directors for the Business Plan Period and set out in the section headed “Business objectives” of this prospectus
“Business Plan Period”	the remaining period of the current financial year ending 30th September, 2001 and the two financial years ending 30th September, 2003
“Capital Speed”	Capital Speed Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance and is beneficially owned as to 51% by Mr. Ko and as to 49% by Mr. Yuen

## DEFINITIONS

“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of part of the share premium account of the Company as referred to in the paragraph headed “Written resolutions of the shareholders of the Company” in the section headed “Further information about the Company” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by Hongkong Clearing
“Companies Ordinance”	the Companies Ordinance (Chapter 32, Laws of Hong Kong)
“Company”	iAsia Technology Limited (亞洲網上交易科技有限公司), a company incorporated in Hong Kong with limited liability under the Companies Ordinance on 24th September, 1999
“Computershare”	Computershare Limited, background of which is set out in the paragraph headed “Technology Partners” under the section headed “Business” of this prospectus
“CSP”	Computershare Systems Phils., Inc., a wholly owned subsidiary of Computershare, background of which is set out in the paragraph headed “Technology partners” under the section headed “Business” of this prospectus
“Director(s)”	the director(s) of the Company
“Dr. Ho”	Dr. Ho Hung Sun, Stanley, an executive Director
“Dr. Lee”	Dr. Lee Jun Sing, an executive Director
“Ebiz Solutions”	Ebiz Solutions Pte Ltd, background of which is set out in the paragraph headed “Technology partners” under the section headed “Business” of this prospectus
“First Relevant Lock-up Period”	the period of six months from the Listing Date
“First Shanghai” or “Sponsor”	First Shanghai Capital Limited, the bookrunner, sponsor and lead manager of the Share Offer and an investment adviser and dealer registered under the Securities Ordinance
“Fitel”	First International Telecom Corporation, background of which is set out in the paragraph headed “Strategic partners” under the section headed “Business” of this prospectus
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the directors of the Stock Exchange with responsibility for GEM

## DEFINITIONS

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“GEM website”	the internet website <i>www.hkgem.com</i> operated by the Stock Exchange for the purpose of GEM
“Get Nice”	Get Nice Asset Management Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance and is principally engaged in the provision of funds and insurance broking, together with Get Nice Investment Ltd., a registered securities dealer in Hong Kong
“Golden Mate”	Golden Mate Co., Ltd., a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Lawrence Ho
“Government”	the Government of Hong Kong
“Group”	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hongkong Clearing”	Hong Kong Securities Clearing Company Limited
“Hutchison Telecom”	Hutchison Telephone Company Limited
“IDC”	International Data Corporation, a provider of technology intelligence, industry analysis, market data, and strategic and tactical guidance to builders, providers and users of IT
“Initial Management Shareholders”	Longson, Yu Ming, Newtop, Kateman International Ltd., Potassium Corp., Mr. Joseph Fung, Mr. Thomas Fung, Mr. Tony Yeung, Mr. Cheng, Best Summit, Dr. Lee, Bailey, Dr. Ho, Ms. Angela Leong, Capital Speed, Mr. Ko, Mr. Yuen, Golden Mate, Mr. Lawrence Ho, Pioneer Asset, JAFCO Investments, Global Vision Group Limited and Mr. Robin Miles, being the initial management shareholders of the Company for the purposes of the GEM Listing Rules
“INTS”	Internet trading system, an online trading system developed by CSP
“IPO”	initial public offering, whereby securities are being offered to the public by a company for the first time
“IST”	Internet stock trading system, an online trading system developed by Ebiz Solutions

## DEFINITIONS

“ITS”	intelligent trading system, an online trading system developed by CSP
“iVentures”	Internet Ventures Inc., background of which is set out in the paragraph headed “Strategic partners” under the section headed “Business” of this prospectus
“JAFCO Investments”	collectively JAFCO L-2 Venture Capital Investment Limited Partnership, JAFCO G-8(A) Investment Enterprise Partnership, JAFCO G-8(B) Investment Enterprise Partnership and JAFCO GC-1 Investment Enterprise Partnership, backgrounds of which are set out in the section headed “Shareholders’ profile”
“JS Cresvale”	JS Cresvale International Limited, background of which is set out in the paragraph headed “Technology partners” under the section headed “Business” of this prospectus
“Latest Practicable Date”	19th March, 2001, being the latest practicable date for the purpose of ascertaining certain information included in this prospectus prior to the printing of this prospectus
“Listing Date”	the date when dealings in the Shares first commence on the GEM
“Longson”	Longson Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance and is wholly owned by Yu Ming
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of the GEM (excluding the options market) and which continues to be operated by the Stock Exchange in parallel with the GEM
“Mr. Cheng”	Mr. Cheng Kar Shing, Peter, an executive Director
“Mr. Joseph Fung”	Mr. Fung Ho Sum, Joseph, an initial management shareholder of the Company
“Mr. Ko”	Mr. Ko Chun Fung, Henry, an executive Director
“Mr. Lawrence Ho”	Mr. Ho Yau Lung, Lawrence, an executive Director
“Mr. Robin Miles”	Mr. Robin James Miles, the chief operating officer of the Company
“Mr. Thomas Fung”	Mr. Fung Hoo Wing, Thomas, a non-executive Director
“Mr. Tony Fung”	Mr. Fung Wing Cheung, Tony, an executive Director
“Mr. Tony Yeung”	Mr. Yeung Ming Kwong, Tony, an initial management shareholder of the Company

## DEFINITIONS

“Mr. Yuen”	Mr. Yuen Tien Yau, Gordon, an executive Director
“Ms. Angela Leong”	Ms. Leong On Kei, Angela, a non-executive Director
“Newtop”	Newtop Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance and owned as to 50% by Kateman International Ltd. and as to 50% by Potassium Corp.
“NRI”	Nomura Research Institute Limited, a company founded in Japan, background of which is set out in the paragraph headed “Technology partners” under the section headed “Business” of this prospectus
“NRIHK”	Nomura Research Institute Hong Kong Limited, a company incorporated in Hong Kong, being a subsidiary of NRI, background of which is set out in the paragraph headed “Technology partners” under the section headed “Business” of this prospectus
“NWD”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance and whose securities are listed on the Main Board
“NWD Group”	NWD and its subsidiaries
“Offer Price”	the final offer price per Share (exclusive of brokerage fee and Stock Exchange transaction levy) of not more than HK\$0.70 and expected to be not less than HK\$0.64 to be determined at or before the Price Determination Time, as described in section headed “Structure and conditions of the Share Offer” of this prospectus
“Offer Shares”	the Placing Shares and the Public Offer Shares
“ORS”	order routing system, a system for transferring market orders between online trading systems for local execution
“Over-allotment Option”	the option granted by the Company to the Underwriters exercisable by First Shanghai on behalf of the Underwriters to require the Company to allot and issue up to an aggregate of 13,500,000 additional Shares representing 15% of the number of Shares initially available under the Shares Offer to cover over-allocations under the Placing
“Pan-Asian region”	Asia-Pacific region includes, but not limited to, Hong Kong, Macau, Taiwan, Singapore, Thailand, Malaysia, South Korea, Japan, the Philippines, Indonesia and the PRC

## DEFINITIONS

“Pioneer Asset”	Pioneer Asset Investment Limited, a company incorporated in Hong Kong under the Companies Ordinance and is beneficially owned as to 25% by Dr. Lee, as to 25% by the mother of Dr. Lee, Mrs. Lee Wong Fun Chong, as to 25% by the brother of Dr. Lee, Mr. Lee Jun Wai and as to 25% by the father of Dr. Lee, Mr. Lee Sing Man
“Placing”	the conditional placing by the Placing Underwriters of the Placing Shares for cash at the Offer Price to professional, institutional and/or other investors as described in the section headed “Structure and conditions of the Share Offer” in this prospectus on and subject to the terms and conditions stated herein
“Placing Shares”	81,000,000 new Shares (subject to adjustment as described in the paragraphs headed “The Placing” and “Reallocation of Offer Shares between the Public Offer and the Placing” and subject to increase upon the exercise of the Over-allotment Option under the section headed “Structure and conditions of the Share Offer”) initially being offered for subscription by the Company under the Placing
“Placing Underwriters”	the underwriters of the Placing named in the paragraph “Placing Underwriters” in the section headed “Underwriting” of this prospectus
“PNS”	Proprietary Network System, services channels to link up to the AMS/3 order routing system. A PNS vendor can provide innovative service channels that capture investors’ trading requests and route them to the designated broker through the Order Routing System
“PRC” or “China”	the People’s Republic of China which, for the purposes of this prospectus, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pre-IPO Share Option Plan”	the share option plan conditionally adopted by the Company on 14th March, 2001, the principal terms of which are summarised in the section headed “Share Option Schemes” in Appendix IV to this prospectus
“Price Determination Time”	5:00 p.m. on 28th March, 2001 (or such later time and/or date as agreed by the Company and First Shanghai (on behalf of the Underwriters), but in any event not later than 12:00 noon on 29th March, 2001), on which the Offer Price will be fixed for the purposes of the Share Offer
“Public Offer”	the offer by the Company to the public in Hong Kong for subscription of the Public Offer Shares for cash at the Offer Price, payable in full on application, on and subject to the terms and conditions stated herein and in the application forms relating thereto

## DEFINITIONS

“Public Offer Shares”	the 9,000,000 new Shares (subject to adjustment as described in the paragraph headed “The Public Offer” and “Reallocation of Offer Shares between the Public Offer and the Placing” under the section headed “Structure and conditions of the Share Offer”) initially being offered by the Company for subscription under the Public Offer
“Public Offer Underwriters”	the underwriters of the Public Offer named in the paragraph “Public Offer Underwriters” in the section headed “Underwriting” of this prospectus
“QYXX”	Qyxx Holdings Limited, background of which is set out in the paragraph headed “Strategic partners” under the section headed “Business” of this prospectus
“Raylam”	Raylam & Co. Holdings Ltd., background of which is set out in the paragraph headed “Content partners” under the section headed “Business” of this prospectus
“Relevant Periods”	the period from 24th September, 1999 to 30th September, 2000 and the four month period ended 31st January, 2001
“Relevant Securities”	has the meaning ascribed to it in Rule 13.15 of the GEM Listing Rules
“Reuters”	Reuters Hong Kong Limited, background of which is set out in the paragraph headed “Content Partners” under the section headed “Business” of this prospectus
“ROS”	real time online trading system
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Chapter 396, Laws of Hong Kong)
“Second Relevant Lock-up Period”	the period of six months from the expiry of the First Relevant Lock-up Period
“Securities Ordinance”	the Securities Ordinance (Chapter 333, Laws of Hong Kong)
“SFC”	Securities and Futures Commission
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Offer”	the Placing and the Public Offer
“Shareholder(s)”	holder(s) of the Share(s)

## DEFINITIONS

“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 14th March, 2001, the principal terms of which are summarised in the section headed “Share Option Schemes” in Appendix IV to this prospectus
“Shun Tak”	Shun Tak Holdings Limited, a company incorporated in Hong Kong and whose securities are listed on the Main Board
“Shun Tak Group”	Shun Tak and its subsidiaries
“Singapore Technologies”	Singapore Technologies Pte Ltd
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sun”	Sun Microsystems of California Limited, background of which is set out in the paragraph headed “Technology partners” under the section headed “Business” of this prospectus
“SunPage”	SunPage (Mauritius) Limited, background of which is set out in the paragraph headed “Strategic partners” under the section headed “Business” in this prospectus
“TradingGuru”	TradingGuru.com Securities Limited, together with its holding company TradingGuru.com Holdings Limited and/or any of their subsidiaries
“UK”	the United Kingdom of Great Britain and Northern Ireland
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreement”	the conditional underwriting and placing agreement relating to the Share Offer dated 22nd March, 2001 and entered into between, inter alios, the Company, the Directors (other than the independent non-executive Directors and Mr. Imuta Hitoshi), First Shanghai and the Underwriters as described in the section headed “Underwriting” of this prospectus
“United States” or “US”	the United States of America
“ViewTrade”	ViewTrade Securities Inc., background of which is set out in the paragraph headed “Strategic Partners” under the section headed “Business” of this prospectus
“Warrantors”	the Directors (other than the independent non-executive Directors and Mr. Imuta Hitoshi) and the Initial Management Shareholders (other than the JAFCO Investments)

## DEFINITIONS

“Yu Ming”	Yu Ming Investments Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance whose securities are listed on the Main Board
“HK\$” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“PHP”	Pesos, the lawful currency of the Philippines
“£”	Pounds, the lawful currency of the United Kingdom
“US\$”	United States dollars, the lawful currency of the United States
“%”	percentage

*All third party trademarks or logos appearing in this prospectus are the property of their respective owners.*

*Unless otherwise specified in this prospectus, amounts denominated in PHP, US\$ and £ have been translated, for the purpose of illustration only, into HK\$ at the following rates:*

*HK\$158.70 = PHP1,000*

*HK\$7.80 = US\$1.00*

*HK\$11.78 = £1.00*

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

## GLOSSARY

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

“ADSL”	asymmetric digital subscriber line, a technology that allows high speed data transmission over twisted-pair telephone lines
“AMS/1”	the first generation of the automatic order matching & execution system of the Stock Exchange, a system adopted by the Stock Exchange during 1992 to 1996
“AMS/2”	the second generation of the automatic order matching & execution system of the Stock Exchange, a system adopted by the Stock Exchange during 1996 to 2000
“AMS/3”	the third generation of the automatic order matching & execution system of the Stock Exchange, a system launched by the Stock Exchange in October 2000
“ASP”	application service provider, a service firm that provides a contractual service offering to deploy, host, manage and rent access to computer applications from a centrally managed facility
“A-STAR™”	Asian Securities Trading & Accounting Real time System, developed by NRIHK, details of which are set out in the paragraph headed “Major products and services” under the section headed “Business” in this prospectus
“Back Up Trade Engine Server”	a server containing data and software applications which substantially duplicate the data and software applications on the Trade Engine Server, capable of performing the same functions as the Trade Engine Server, and located in a jurisdiction as may be determined by the Group from time to time
“BSS”	broker supplied system, a broker’s in-house system or non-Stock Exchange’s supplied trading system which captures trading requests and order input and submits them to AMS/3 for processing
“B2B”	business-to-business
“CDMA”	code division multiple Access, a digital cellular telephone system standard
“client/server”	a configuration in which one computer, designated as a server, communicates and interacts with a number of other computers known as clients

## GLOSSARY

“content”	information contained in a web-site
“CTAS”	Cresvale Trading & Accounting System, a back office system developed by JS Cresvale, details of which are set out in the paragraph headed “Account management system/ Back-office system” under the section headed “Business” of this Prospectus
“denial-of-service”	denial of service attacks which are commonly employed by Internet hackers to overwhelm a service with requests. The number of requests becomes too large for the system providing the service to handle
“DSA”	Digital Signature Algorithm; an algorithm invented for use in digital signature operations
“e-business”	conducting business and business-related activities and processes over the Internet, including the automation of business processes, transaction of sales, optimisation of supply chains, improvements of operating efficiencies and management of customer service
“e-commerce”	electronic commerce, whereby commercial transactions are being conducted over the Internet
“e-marketplace”	a web-site where buyers and sellers gather to, among other things, conduct e-commerce transactions, communicate, exchange ideas and advertise
“firewall”	a network node set up as a boundary to prevent traffic crossing from one segment to another
“FIX”	Financial Information Exchange protocol, a messaging standard developed specially for the real time electronic exchange of securities transactions
“framework”	the building blocks of an application
“FX” or “forex”	foreign exchange
“GSM”	global system for mobile telephony, the most mature digital wireless standard, usually referred to as the “European” digital standard, but now widely deployed elsewhere, including Asia

## GLOSSARY

“HTML”	hypertext markup language, the set of markup symbols or codes inserted in a file intended for display on a World Wide Web browser page. The markup tells the Web browser how to display a Web page’s words and images for the user. Each individual markup code is referred to as an element (but many people also refer to it as a tag). Some elements come in pairs that indicate when some display effect is to begin and when it is to end
“Internet”	an international computer network, a combination of computer networks that speak the same protocols and that are connected to each other by high-speed telephone circuits through which information providers can make information available to users/customers globally
“IOI”	indication of interest, messages sent by brokers to their institutional clients detailing their interest in large blocks of stocks
“ISDN”	integrated services digital network, a set of communications standards allowing a single wire or optical fibre to carry voice, digital network services and video
“ISP”	internet service provider
“IT”	information technology
“IVR”	interactive voice response system, a way of processing computer services using recorded voice menus and tone telephones
“NT”	a multi-task operating system by Microsoft Corp running on PC server
“online”	being connected to the Internet or computer
“Oracle”	a widely used relational database management system
“OTC”	over-the-counter
“outsourcing”	relying on external IT companies to support day-to-day IT operations and/or development
“PC”	personal computer, a micro-computer for personal use
“PCS”	personal communications service, digital mobile standard within the American countries, but now widely used also deployed elsewhere, including Asia

## GLOSSARY

“PDA”	personal digital assistant, a handheld computer with functionality intended for replacing a variety of paper-based systems such as personal organisers, address book and diaries
“PHS”	personal handyphone system, a Japanese cordless telephone standard
“platform”	a computing environment which allows the development and execution of computer applications
“Protocol”	refers to a “data communications protocol”. This is an agreed set of rules, procedures and formats by which electronic devices exchange information; all aspects of data communications are defined by various protocols, from electrical characteristics to the number of digits in a share price
“scalable”	capable of being changed in size and configuration
“server”	a computer system that allows other computers to connect to it, which stores information and allows client computers to retrieve information for users
“SMS”	Short Message System, used to send text messages to digital mobile phones
“software”	a system, utility or application programme expressed in a computer readable language
“SSL”	secure socket layer protocol, used in most Web applications to provide communication confidentiality, data integrity and system authentication of the information transmitted
“Sun Solaris”	an operating system used in Sun Microsystem computer
“SWIFT”	Society for Worldwide Interbank Financial Telecommunications
“system integration”	a process to integrate different computers, devices and application software packages as well as to provide a solution
“Telco”	telecommunication operators
“Trade Engine Server”	the software and hardware owned and operated by the Group for, among other things, the hosting of the Trading System
“Trading System”	the software installed on the Trade Engine Server accessible through the Internet and acts as the medium for order transmission execution and trade confirmation

## GLOSSARY

“Unix”	a widely used multi-task and multi user computer operating system
“VoIP”	Voice over Internet Protocol, an emerging technology using an Internet connection to pass voice data using the Internet Protocol
“VPN”	Virtual Private Network, a system for linking isolated private networks across a public network. The private traffic is sent through encrypted “tunnels” for protections when it transits the public network
“WAP”	wireless application protocol, an open, global specification that allows Internet access and other broadband services on mobile wireless devices
“Web TV”	connecting to World Wide Web through television set
“World Wide Web” or “Web”	multimedia database of information on the Internet which can display graphics intermingled with text, play audio and show video clips
“Year 2000 problem”	also known as the millennium bug, a problem in certain computer systems which use only two digits to represent the year and these systems may not function correctly from the year 2000 onwards as they cannot distinguish between, for example, 1st January, 1900 and 1st January, 2000

## RISK FACTORS

*Potential investors should carefully consider all the information set out in this prospectus and in particular should evaluate the following risks before deciding to invest in the Company.*

### **RISK FACTORS RELATING TO THE GROUP**

#### **The Group has a limited operating history upon which to evaluate its business model**

The business of the Group commenced in September 1999. With limited operating history and loss-making track record, investors cannot evaluate the profitability of the Group's business model. The limited amount of information about the Group makes it difficult to predict whether or not the business of the Group will be successful. The Group's chances of financial and operational success should be evaluated in light of the risks, uncertainties, expenses, delays and difficulties associated with starting a new business, many of which may be beyond the Group's control. Such risks include the possibility that the Group's business model and strategies may change and evolve over time, and the possibility that the Group will not be successful in implementing the business models and strategies which it intends to adopt. These risks are further amplified by the fact that the Group competes in the relatively new markets for software services and Internet services. There is no assurance that the Group will be successful in meeting the challenges and addressing the risks and uncertainties it will face. If the Group is unable to do so, its business may not be successful and the value of an investment in the Shares may decline. Potential investors of the Group must consider the risk, expenses and difficulties frequently encountered by start-up companies in new and rapidly evolving markets before investing in the Group.

#### **The Group has a history of losses and may continue to incur future losses**

The Group has incurred significant losses since 24th September, 1999, the date of incorporation, and may continue to incur losses both semi-annually and annually in the foreseeable future. As of 31st January, 2001, the Group had an accumulated losses of approximately HK\$19,247,000, including HK\$10,562,000 for the period from 24th September, 1999 to 30th September, 2000 and HK\$8,685,000 for the four month period ended 31st January, 2001. Since the Group expects to continue to incur significant operating expenses, it will need to generate significant revenues to achieve profitability, which may not occur. Even if the Group does achieve profitability, it may be unable to sustain or increase profitability in the future on a semi-annual or annual basis. If the Group fails to achieve or sustain profitability, its businesses and financial condition will be materially and adversely affected and the value of investment in the Shares is likely to decline.

#### **The Group may not be able to implement its Business Plan successfully**

The Directors are of the view that the Business Plan has been formulated after due enquiry and market study by reference to the Group's own market position and competitive edges, the expected future prospects of the industry and other relevant factors. The Directors formed the Business Plan on the basis of a number of assumptions, details of which have been included in the section headed "Business objectives" of this prospectus. There is no assurance that the Business Plan will be implemented successfully in the future. Should there be any material adverse change in the Group's operating environment which results in the Group's failure to implement any of the Business Plan and the Directors are unable to formulate new development strategies to secure the Group's future growth, the Group's prospects may be adversely affected.

## RISK FACTORS

In addition, the Directors intend to apply the net proceeds of about HK\$12 million, about HK\$9 million, about HK\$14 million, and about HK\$15 million to infrastructure development, research and development, investment projects and general working capital respectively for the period up to 31st March, 2002. The Directors are of the view that the net proceeds of the Share Offer are not sufficient to finance the Business Plan in full. Accordingly, the Group may need to raise additional funds through other fund raising exercises, including bank borrowings, issuance of debt securities and equity financing, to finance the expansion and further development of its existing business or the acquisitions set out in the Business Plan. Potential investors should note that their interests in the Company may be diluted in the future as Shares may be issued to fund the Business Plan, details of which are set out in the paragraph headed “Risk factors relating to the Shares” below. The Directors currently do not have a concrete basis to estimate the amount of additional funds to be required through other fund raising exercises to implement the Business Plan beyond the period ending 31st March, 2002. Should the Group fail to obtain the necessary funds, the scale of the Business Plan may be reduced or some of the Business Plan may not be able to be implemented at all.

### **The Group’s revenue and cash inflow may be affected by adverse movements in foreign exchange rates, and the Group may be exposed to currency conversion and foreign currency remittance risks**

Some Asian countries have imposed foreign remittance restrictions, for instance, in the PRC and Taiwan, injection of capital investment or remittance of profit requires approval from the relevant governmental authorities; in the Philippines, foreign exchange is subject to central bank’s approval; in Malaysia, there are restrictions as to the conversion of its domestic currency into other foreign currencies. As the Group intends to develop its online trading solution business throughout the Pan-Asian region, it may face difficulties in converting revenue and dividends denominated in those jurisdictions’ currencies into Hong Kong dollars, and repatriating the funds back to Hong Kong. Accordingly, the Group’s cash flow position may be adversely affected. In addition, any adverse movements in foreign exchange rates may reduce the Group's profit from other countries when converting it from currencies of those countries into Hong Kong dollars.

### **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 in the IT and financial industry, the business relationship with strategic, technology and content partners. Such factors are, to a large extent, the result of the continual efforts made by the management and certain other key employees who may not readily be substituted by other people. There is no assurance that they will not leave the employment of the Group. Should these members of the management and key employees cease to provide management and operation services to the Group, its operation and profitability may be adversely affected.

### **The Group’s growth depends on its ability to attract qualified personnel**

The Group’s future success depends on its ability to continue to attract and retain highly qualified technical and managerial personnel. Given the continual expansion of the IT industry, competition for such personnel is expected to be intense and in the event that the Group is not able to attract and retain suitable high calibre personnel, its prospects and business may be adversely affected.

## **RISK FACTORS**

### **The Group has a limited number of customers and may not be able to sign up new customers**

During the period from the date of incorporation to 30th September, 2000, the Group had six customers. For the four month period ended 31st January, 2001, the Group had eight customers. In addition, since online securities trading industry in Asia is at its infancy stage, the Company has only signed up 14 brokers in Hong Kong as at the Latest Practicable Date. In the event that the Group can neither secure new customers nor maintain its existing customers, its revenue and business development would be adversely affected.

### **The Group's business may be harmed if the Group is unable to obtain additional funding to expand its business**

With the evolving nature of the industry in which the Group operates, the Group may need to raise funds in addition to its currently available cash resources and the net proceeds of the Share Offer through public or private financing, strategic relationships or other arrangements, in order to support more rapid expansion of the Group's business, develop new or enhanced products and services, respond to competitive pressures, acquire complementary businesses, assets or technologies or respond to unanticipated events. The Group cannot assure investors that additional funds will be available when needed on terms favourable to the Group, if at all. If adequate funds are unavailable to the Group on acceptable terms, the Group may be unable to develop or enhance its products and services, take advantage of future opportunities or respond to competitive pressures or unanticipated events any of which could have a material adverse effect on the Group's business.

### **The Group's business may be adversely affected if the Group fails to develop or penetrate markets in Asia**

Online trading industry is characterised by evolving industry standards and technology and frequent emergence of new products and services. In addition, many of the online trading markets in Asia are at their infancy stage and still evolving. Laws and regulations may be introduced governing various aspects of the industry. Currently, the Group's business in these markets is at a start-up stage and government approvals have yet to be obtained. Should the Group be unable to obtain relevant government approval to operate its business in the Asian countries it intends to operate or be unable to develop or penetrate into those markets, the Group's business may be adversely affected.

### **Threatened potential claims**

The Company has received certain threatened claims including a claim from one of the Company's third party suppliers as to service fees of approximately £489,000 (equivalent to approximately HK\$5,760,000) charged by that supplier in respect of work performed by that supplier to the Company (see Appendix IV under the paragraph headed "Litigation"). As at the Latest Practicable Date, no legal proceedings have been instituted. The Company will defend any possible legal action which may be taken by that supplier. The Directors are of the view that if the Company is unsuccessful in its defence, the Company would face an award of damages and legal costs. In view of the foregoing, the promoters of the Company, namely Longson, Newtop, Best Summit, Bailey and Capital Speed, and their respective beneficial owner who is also an initial management shareholder of the Company, have given joint and several indemnities in favour of the Group should such damages and legal costs materialise. Nevertheless, the cessation of business with that supplier may have an adverse effect on the business of the Group.

## **RISK FACTORS**

### **RISK FACTORS RELATING TO THE INDUSTRY**

#### **The Group may not be able to keep up with rapid change in technology in a cost-effective way**

The Group's future success will depend upon its ability to enhance its current applications and to introduce new applications that keep pace with technological developments and emerging industry standards and address the increasingly sophisticated needs of its clients. Should the Group be unable to keep up with the rapid change in technology, the sales and profitability of the Group's products and services may be adversely affected.

#### **The Group may face competition in Pan-Asian region**

The markets for software applications and services are highly competitive in the world including in the Pan-Asian region where the Group intends to operate its business. The Group faces competition principally from various application service providers in Hong Kong and other Asian countries. Given that online securities trading in Asia is still in an early stage of development, and online trading software application is subject to rapid technological change, the Directors anticipate that competition throughout the region will be intense. Should the number of new entrants increase or more competitors' products and services similar to those offered by the Group be introduced, or should the Group be unable to keep up with rapid technological change, the sales and profitability of the Group's products and services may be adversely affected.

#### **Possible consolidation of the brokerage industry may affect the Group's business**

The emergence of online trading provides investors new channels and means to place their orders. Traditional small to medium sized brokers, including the Group's target clients, may face competition from large brokers and online brokers who have more capital, resources or experience in the provision of online trading services. The possible emergence of consolidation of the brokerage industry may lead to reduction in number of the players in the industry. Should the number of the Group's potential and existing clients or their size of operations be decreased, the Group's existing business and future growth potential may be adversely affected.

#### **Reduction of brokerage commission may affect the Group's revenue and profit margin**

There is a trend in reducing/minimising brokers' commission in most of the major markets including, but not limited to, Singapore, Taiwan and South Korea. The Group's clients will therefore be adversely affected, meaning the Group's revenue and profit margin may also be adversely affected.

#### **The Group's business may be adversely affected by low trading volumes of the securities markets**

The Group's products and services are developed for the securities markets in the Asian region which in turn are influenced by the economic and political conditions in the region, broad trends in business and finance and substantial fluctuations in the volume of securities and futures transactions. In addition, the Asian securities markets are emerging and developing and may be subject to periods of low trading volumes, which would reduce the Group's transaction-based revenue and could adversely affect the Group's profitability. As a result, failure of the securities and futures markets to grow substantially may adversely affect the Group's revenue growth and future profitability.

## **RISK FACTORS**

### **Asian stock exchanges may not be able to deliver a stable online trading facilities**

As at the Latest Practicable Date, stock exchanges in Japan, Taiwan, South Korea, the PRC, Thailand, Malaysia and Singapore have delivered relatively stable online trading facilities, whereas stock exchanges in the Philippines and Indonesia still have not implemented their online trading facilities. In Hong Kong, the Stock Exchange has only launched the first stage of AMS/3 on 23rd October, 2000. Should these Asian stock exchanges fail to deliver or delay the delivery of stable online trading facilities, the Group's expansion plan would be adversely affected.

### **If the Group fails to achieve broad awareness of the Group's brand name, the Group's revenues from operations may not grow, or grow at a lower rate than expected**

While the Directors are predicting a future growth of online trading in the Asian region, brokerage firms and investors may not perceive securities trading over the Internet as an attractive value-added service. In this event, the Group will be unsuccessful in promoting and maintaining the Group's brand and attracting brokerage and investor customers, and the Group's revenues from operations may not grow, or grow at a lower rate than expected.

### **Regulations of cross border trading**

In many Asian countries, there are restrictions on foreign equity ownership, for instance, in Taiwan, every investor has to satisfy the "Guidelines for Overseas Chinese and Foreign Nationals to Apply for Investment in the Republic of China Securities Market" to be a qualified investor of whom the amount of investment will be limited to a maximum amount of US\$5 million (or equivalent amount of other foreign currencies for an onshore investor); in Singapore, there are foreign equity ownership restrictions on certain industries such as banking, stockbroking, airlines and newspapers; in the Philippines, all financial companies are restricted to a maximum of 60% foreign ownership; in Thailand, direct investment in foreign securities/assets by any resident is limited to THB 10 million per year (without permission of the Bank of Thailand) and in South Korea, any foreign investor who own up to a maximum of 30% of the total number of shares of a public company is required to submit an investment registration to the Financial Supervisory Service. This might affect the Company's cross border trading activities and may have an adverse effect to the business of the Group.

### **A network failure of the Group's online trading system could cause the Group to lose new and existing brokerage customers**

The Group's online trading system receives and transmits trade orders between investors and brokerage firms through the Internet. This process is heavily dependent on the integrity of the network systems supporting it. Unexpectedly high volume of use of the Group's online trading system during peak trading times may cause the system to operate at unacceptably low speeds or result in a complete cessation. Any significant degradation or failure of the Group's online trading system or any other system in the trading process, including the transaction processing systems of the Group's brokerage customers or of the securities exchanges, could result in delays or cessation in trading. These delays could cause substantial monetary losses to the Group's brokerage customers and their investor customers and the Group may become liable to claims from such customers for the losses they incurred. The Group cannot assure investors that its online trading system will operate properly in the event of a natural disaster, a system or telecommunications failure or other unanticipated events. At present, the Group does not carry any natural disaster or business interruption insurance to compensate the Group for the losses that may incur. Any failure that

## **RISK FACTORS**

causes interruptions in the Group's operations or the operations of the Group's brokerage customers and stock exchanges could cause the Group to lose new and existing brokerage customers and, as a result, adversely affecting the Group's revenue growth and future profitability.

**Failure of the Group's encryption technology to protect the confidentiality of information transmitted over public networks could cause the Group to lose new and existing website subscribers and subject the Group to liability from them**

One of the significant barriers to e-commerce is the secured transmission of confidential information over public networks. The Group cannot assure investors that advances in computer capabilities, new discoveries in the field of cryptography or other events or developments will not compromise or breach the Group's existing encryption and authentication technology used to effect secured transmission of confidential information. The Group may be required to spend significant capital and resources to assist its brokerage customers in protecting their website against the threat of potential security breaches. If any compromise of the website's security were incurred, the Group could lose confidence of its brokerage customers which could result in a loss of existing and new customers. In addition, the Group could be subject to significant liability for unintended disclosure of confidential information, which could adversely affect the Group's results or operations during the period in which the liability is incurred.

**The Group's introduction of new products and services could be delayed or otherwise compromised if the Group becomes involved in litigation with respect to the use of the Group's intellectual property or if the Group fails to obtain any new technology necessary to its operations**

The Group currently has the rights to use all intellectual property relating to the technologies and services that enable its brokerage customers to conduct securities trading over the Internet. These technologies are essential to the Group's business. Any infringement claim made by a third party relating to these technologies which requires the Group to internally develop or obtain licence to use similar technologies from other third parties would significantly disrupt the Group's business. The Group cannot assure investors that no similar technologies are currently available from other third parties or that other third parties cannot develop similar technologies. In addition, there is a possibility that in the course of using the Group's technologies, the Group may inadvertently breach the technological rights of others and may face liabilities for such breach. Further, as the Group continues to introduce new products and services, the Group anticipates that it may need to obtain licence to use the technologies from third parties. The Group cannot assure investors that these technology licences will be available to the Group on commercially reasonable terms, if at all. The loss of the Group's existing technologies, the failure to obtain any new technology necessary to the Group's operations or the inadvertent breach of technological rights of other third parties could delay or compromise the introduction of new products and services and may significantly harm the Group's business and financial condition.

### **RISK FACTORS RELATING TO HONG KONG AND OTHER ASIAN COUNTRIES**

**If the Group does not protect its intellectual property rights, unauthorised use and misappropriation of the Group's technology could occur**

The Group relies on a combination of nondisclosure, confidentiality and other contractual agreements with its subsidiaries, employees, consultants and other third parties, and the presence of privacy and trade secrecy laws to protect and limit the access and distribution of the Group's

## **RISK FACTORS**

proprietary applications, documentation and other licenced information that the Group has developed, held or has acquired. Despite these precautions, it may be possible for a third-party to copy or otherwise obtain and use the Group's proprietary technology without its authorisation, or to develop similar technology independently. Policing unauthorised use of the Group's proprietary technology is difficult and the Group cannot assure investors that the steps taken by the Group will prevent misappropriation or infringement of the Group's proprietary technology. In addition, litigation may be necessary in the future to enforce the Group's intellectual property rights, protect the Group's trade secrets or determine the validity and scope of the proprietary rights of others, all of which could result in substantial costs and diversion of the Group's resources and the Group management's time and, as a result, significantly harm the Group's business.

### **The Group is exposed to political and economic risks in Hong Kong and other Asian countries**

Currently, all of the Group's operations are located in Hong Kong, which is a special administrative region of the PRC, with its own government and legislature. The Joint Declaration between the governments of the United Kingdom and the PRC and the Basic Law provides that Hong Kong is entitled to a high degree of autonomy from the PRC under the principle of "one country, two systems". However, there is no assurance that the current level of autonomy from the PRC and the present political and economic environment in Hong Kong will remain unchanged. Future developments in the political and economic environment in Hong Kong may have adverse effects on the business and financial conditions of the Group.

In respect of other Asian countries where the Group is developing its business, the political and economic environments in Taiwan, the Philippines, Singapore, Thailand, South Korea, Malaysia, the PRC, Japan, India, and Indonesia may also be uncertain and thus may have adverse effects on the business and financial position of the Group.

### **RISK FACTORS RELATING TO THE SHARES**

#### **The trading price of the Shares may be subject to wide fluctuations**

The trading price of the Shares may fluctuate in response to a number of events including quarterly variation in the Group's operating results, new services launched by the Group, its direct competitors or companies listed on GEM, companies listed on the Main Board and/or other stock exchanges having comparable businesses with that of the Group, general performance of the GEM, the Main Board or other equity capital markets, changes in recommendations or financial estimates by analysts and investors' general perception on the Group's future prospects. In addition, there is no guarantee that there will be a liquid market in the Shares.

Prospective investors should be extremely cautious in considering investing or dealing in the Shares. Prospective investors are also recommended to read carefully the statements in the section headed "Characteristics of GEM" of this prospectus.

#### **The shareholders' interests in the Company may be diluted in the future as Shares may be issued to fund the Business Plan**

The Group may need funds in addition to the net proceeds from the Share Offer to be received by the Group, to finance the expansion and further development of its existing business or the acquisitions as set out in the Business Plan. Sources of additional financing for such expansion and acquisition include internally generated funds, bank borrowings, issuance of debt securities

## RISK FACTORS

and equity financing. The Group may issue new Shares to satisfy the consideration payable for the acquisition of businesses in the implementation of the Business Plan if the Directors consider that it is in the interests of the Company and its Shareholders taken as a whole. If the Company allots and issues new securities other than on a pro rata basis to its then existing shareholders, the shareholding percentages of the Company of the then existing shareholders of the Company may be diluted correspondingly.

However, pursuant to rule 17.29 of the GEM Listing Rules, no further shares or securities convertible into equity securities of the Company may be issued or form the subject of any agreement to issue within the First Relevant Lock-up Period, other than the issue of Shares pursuant to the Share Offer, the Capitalisation Issue, the exercise of the Over-allotment Option, the exercise of the options granted under either or both the Pre-IPO Share Option Plan and/or the Share Option Scheme and the granting of options under the Share Option Scheme, any capitalisation issue, consolidation, sub-division or capital reduction of Shares.

### **The shareholders' interests in the Company may be diluted in the future should any Shares be issued and allotted to settle any instalment of payment to its technology partner, Ebiz Solutions**

The Company entered into a master agreement dated 21st July, 2000 (as supplemented by two letters dated 24th August, 2000 and 29th September, 2000) for the provision of ASP services with Ebiz Solutions. The Company was granted a licence to use the Trading System developed by Ebiz Solutions, known as IST, in connection with the provision of ASP services in various Asian countries subject to the terms and conditions set out therein. It was agreed by the parties therein that save for the first 25% of the one-time licence fee, the Company is entitled, at its absolute discretion, to settle any instalment in the remaining 75% of such one-time licence fee that become due and payable by the Company by issue and allotment of Shares in such amount nearest to but not less than the value of the sum due. In the event that the Company settle any instalment of payment by issue and allotment of Shares to Ebiz Solution, the shareholding percentages of the Company of the then existing shareholders of the Company will be diluted correspondingly.

The issue price of the Shares to Ebiz Solutions has not yet been determined. Should the Company decide to settle all the remaining 75% of such one-off licence fee, assuming an issue price of HK\$0.64 per Share (being the lowest point of the indicative range of the Offer Price of between HK\$0.64 and HK\$0.70 per Share), approximately 32.0 million new Shares will be issued to Ebiz Solutions, representing approximately 6.6% of the enlarged issued share capital of the Company without taking into account any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which have been granted or may be granted under the Pre-IPO Share Option Plan and the Share Option Scheme, or any Shares which may be allotted and issued and to be issued as mentioned therein 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 or otherwise. Potential investors should note that should the issue price of the Shares be lower than HK\$0.64 per Share, their interests in the Company will further be diluted. In deciding whether new Shares will be issued to settle the above one-off licence fee, the Directors will carefully consider the then financial position of the Group and will regard to the interest of the Shareholder taken as a whole.

## WAIVERS FROM COMPLIANCE WITH THE GEM LISTING RULES

For the purpose of the listing of the Shares on GEM, the Company has sought a number of waivers from the Stock Exchange in relation to certain requirements under the GEM Listing Rules. Details of such waivers are described below.

### MORATORIUM PERIOD

Immediately following completion of the Share Offer and the Capitalisation Issue without taking into account the exercise of the Over-allotment Option and Shares which may be taken up pursuant to the Share Offer, the following persons will be regarded as the initial management shareholders of the Company for the purposes of the GEM Listing Rules:-

Name of the initial management shareholders	<i>Note</i>	Approximate effective or attributable interest in the Company (%)
Longson	<i>1</i>	8.08
Yu Ming	<i>1</i>	8.08
Newtop	<i>2</i>	11.73
Kateman International Ltd.	<i>2</i>	11.73
Potassium Corp.	<i>2</i>	11.73
Mr. Joseph Fung	<i>2</i>	11.73
Mr. Thomas Fung	<i>2</i>	11.73
Mr. Tony Yeung	<i>2</i>	11.73
Mr. Cheng	<i>3</i>	11.73
Best Summit	<i>4</i>	14.00
Dr. Lee	<i>4</i>	14.00
Bailey	<i>5</i>	16.41
Dr. Ho	<i>5</i>	16.41
Ms. Angela Leong	<i>6</i>	0.82
Capital Speed	<i>7</i>	13.43
Mr. Ko	<i>7</i>	13.43
Mr. Yuen	<i>7</i>	13.43
Golden Mate	<i>8</i>	9.41
Mr. Lawrence Ho	<i>8</i>	9.41
Pioneer Asset	<i>9</i>	3.81
JAFCO L-2 Venture Capital Investment Limited Partnership		0.56
JAFCO G-8(A) Investment Enterprise Partnership		0.56
JAFCO G-8(B) Investment Enterprise Partnership		0.56
JAFCO GC-1 Investment Enterprise Partnership		0.56
Global Vision Group Limited	<i>10</i>	0.90
Mr. Robin Miles	<i>10</i>	0.90

*Notes:-*

1. The entire issued share capital of Longson is beneficially owned by Yu Ming.
2. These Shares are held by Newtop, the shares of which are beneficially owned as to 50% by Kateman International Ltd. and as to 50% by Potassium Corp.. Each of Mr. Joseph Fung, Mr. Thomas Fung and Mr. Tony Yeung beneficially owns or has control over 33<sup>1</sup>/<sub>3</sub>% of the issued share capital of Kateman International Ltd. and was deemed (by virtue of the SDI Ordinance) to be interested in these Shares. These Shares represent the same interest and are therefore duplicated among Newtop, Kateman International Ltd., Potassium Corp., Mr. Joseph Fung, Mr. Thomas Fung, Mr. Tony Yeung and Mr. Cheng.
3. The entire issued share capital of Potassium Corp. is beneficially owned by Mr. Cheng.

## WAIVERS FROM COMPLIANCE WITH THE GEM LISTING RULES

4. These Shares are held by Best Summit, the entire issued share capital of which is owned by Dr. Lee. Dr. Lee was deemed (by virtue of the SDI Ordinance) to be interested in these Shares. These Shares represent the same interest and are therefore duplicated between Best Summit and Dr. Lee. In addition to these Shares held by Best Summit, Dr. Lee also beneficially holds 5% and 25% of the issued share capital of Bailey and Pioneer Asset respectively and his respective beneficial interest in the issued share capital of Bailey and Pioneer Asset will give Dr. Lee an additional approximate attributable interest of 0.82% and 0.95% in the Company respectively.
5. These Shares are held by Bailey and Dr. Ho holds 65% of the issued share capital of Bailey and was deemed (by virtue of the SDI Ordinance) to be interested in these Shares. These Shares represent the same interest and are therefore duplicated between Bailey and Dr. Ho. Each of Dr. Lee and Ms. Angela Leong beneficially holds 5% of the issued share capital of Bailey. The other 15% of the issued share capital of Bailey are held by the mother of Dr. Lee, Mrs. Lee Wong Fun Chong, 5% are held by the father of Dr. Lee, Mr. Lee Sing Man, and the remaining 5% are held by two persons who are independent parties not connected with any of the chief executive, directors, initial management shareholders, substantial shareholders of the Company or their respective associates.
6. Ms. Angela Leong is beneficially interested in 5% of the issued share capital of Bailey. This approximate attributable interest of 0.82% in the Company reflects her 5% beneficial interest in the issued share capital of Bailey.
7. These Shares are held by Capital Speed and each of Mr. Ko and Mr. Yuen beneficially holds 51% and 49% respectively of the issued share capital of Capital Speed. Each of Mr. Ko and Mr. Yuen was deemed (by virtue of the SDI Ordinance) to be interested in these Shares. These Shares represent the same interest and are therefore duplicated among Capital Speed, Mr. Ko and Mr. Yuen.
8. The entire issued share capital of Golden Mate is beneficially owned by Mr. Lawrence Ho.
9. Pioneer Asset is a company incorporated in Hong Kong with limited liability under the Companies Ordinance and is beneficially owned as to 25% by Dr. Lee, as to 25% by the mother of Dr. Lee, Mrs. Lee Wong Fun Chong, as to 25% by the brother of Dr. Lee, Mr. Lee Jun Wai and as to 25% by the father of Dr. Lee, Mr. Lee Sing Man.
10. These Shares are held by Global Vision Group Limited, the entire issued share capital of which is beneficially owned by Mr. Robin Miles.

Pursuant to Rule 13.16 of the GEM Listing Rules, a new applicant shall procure that every initial management shareholder who, immediately prior to the listing date, is entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the issuer:

1. places in escrow, with an escrow agent acceptable to the Stock Exchange his/her Relevant Securities for a period of two years from the listing date, on terms acceptable to the Stock Exchange; and
2. undertakes to the new applicant and the Stock Exchange that, for a period of two years from the listing date, the initial management shareholder will not, save as under certain specified circumstances set out in rule 13.17 of the GEM Listing Rules, dispose of (or 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 direct or indirect interest in Relevant Securities.

A waiver application has been made to the Stock Exchange to exempt each of the Initial Management Shareholders from strict compliance with the moratorium requirements under Rule 13.16 of the GEM Listing Rules subject to the conditions that:–

1. each Initial Management Shareholder gives an undertaking to the Company and the Stock Exchange that it/he/she will not dispose of (or enter into any arrangement to dispose of) nor permit the registered holder to dispose of (or enter into any agreement to dispose of) any of their respective direct or indirect interest in the Company during the First Relevant Lock-up Period instead of two years from the date on which the Shares are listed on the GEM;

## WAIVERS FROM COMPLIANCE WITH THE GEM LISTING RULES

2. each Initial Management Shareholder gives an undertaking to the Company and the Stock Exchange that it/he/she will place the appropriate number of its/his/her Relevant Securities (if applicable) in escrow with an escrow agent acceptable to Stock Exchange and First Shanghai during the First Relevant Lock-up Period and the Second Relevant Lock-up Period instead of two years from the Listing Date with the right of the Initial Management Shareholders to withdraw from escrow and dispose of (or enter into any arrangement to dispose of) any of its/his/her respective direct or indirect interest in the Relevant Securities during the Second Relevant Lock-up Period, provided that such withdrawal shall not result in the number of the Relevant Securities placed by the Initial Management Shareholders in escrow with such escrow agent being less than 35% of the issued share capital of the Company (subject to disposal on a pro rata basis by each of the Initial Management Shareholders of a maximum of 56.25% of the Relevant Securities held by each of them); and
3. each of the ultimate beneficial owner of Longson, Newtop, Best Summit, Bailey, Capital Speed, Golden Mate and Pioneer Asset and Global Vision Group Limited (collective “Immediate Holding Companies”) gives an undertaking to the Company the Underwriters and the Stock Exchange that it/he/she will not dispose of (or enter into any arrangement to dispose of) nor permit the registered holder thereof to dispose of (or enter into any agreement to dispose of) any of their respective direct or indirect interest in any of the Immediate Holding Companies for a period of 12 months from the Listing Date.

The Stock Exchange has granted a waiver to the effect that the moratorium period prescribed in Rule 13.16 of the GEM Listing Rules applicable to the Initial Management Shareholders is reduced from two years to six months from the Listing Date provided that (i) during the First Relevant Lock-up Period, the Initial Management Shareholders must not, save as provided in the GEM Listing Rules, dispose of (or 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 their respective direct or indirect interest in the Relevant Securities; (ii) during the Second Relevant Lock-up Period, the Initial Management Shareholders, must not, save as provided in the GEM Listing Rules, dispose of (or enter into any arrangement to dispose of) nor permit the registered holder to dispose of (or enter into any agreement to dispose of) any of their respective Relevant Securities such that the Initial Management Shareholders would in aggregate cease to control at least 35% of the issued share capital of the Company (subject to disposal on a pro rata basis by each of the Initial Management Shareholders of a maximum of 56.25% of the Relevant Securities held by each of them); and (iii) each of the ultimate beneficial owners of Longson, Newtop, Best Summit, Bailey, Capital Speed, Golden Mate and Pioneer Asset and Global Vision Group Limited (collective “Immediate Holding Companies”) gives an undertaking to the Company, the Underwriters and the Stock Exchange that it/he/she will not dispose of (or enter into any agreement to dispose of) nor permit the registered holder thereof to dispose of (or enter into any agreement to dispose of) any of their respective direct or indirect interest in any of the Immediate Holding Companies for a period of 12 months from the Listing Date.

Pursuant to the terms of such waiver, each Initial Management Shareholder has jointly and severally given certain non-disposal undertakings in favour of the Company, the Underwriters and the Stock Exchange, details of which are described in the section headed “Substantial, initial management and significant shareholders” of this prospectus.

## **WAIVERS FROM COMPLIANCE WITH THE GEM LISTING RULES**

### **STOCK BORROWING ARRANGEMENT**

First Shanghai and Capital Speed have entered into a stock borrowing arrangement pursuant to which Capital Speed has agreed upon the request of First Shanghai to lend certain Shares held by it to First Shanghai. The stock borrowing arrangement entered into between First Shanghai and Capital Speed is to facilitate settlement of over-allocations in connection with the Placing pending exercise of the Over-allotment Option and/or acquisitions of Shares in the secondary market. The stock borrowing arrangement would result in non-compliance with Rule 13.16 of the GEM Listing Rules.

The granting of Over-allotment Option together with the accompanying stock borrowing arrangement is adopted by First Shanghai to facilitate the distribution of the Shares under the Placing. A waiver application has been made on the basis that (1) such stock borrowing arrangement will only be effected by First Shanghai for settlement of over-allocations in connection with the Placing; (2) the maximum number of Shares which may be borrowed from Capital Speed will be limited to the maximum number of Shares which may be issued upon the exercise of the Over-allotment Option; (3) the same number of Shares will be returned to Capital Speed or its wholly owned subsidiaries (as the case may be) no later than three business days following the earlier of (i) the last day on which the Over-allotment Option may be exercised and (ii) the day on which the Over-allotment Option is exercised in full; and (4) the returned Shares will be placed in escrow as soon as practicable with an escrow agent acceptable to the Stock Exchange.

### **SHARE OPTION SCHEME WAIVER**

The Share Option Scheme was conditionally adopted by a resolution in writing passed by the shareholders of the Company on 14th March, 2001. Under Rule 23.03 (2) of the GEM Listing Rules, the total number of Shares subject to the Share Option Scheme and any other schemes must not, in aggregate, exceed 10% of the relevant class of securities of the listed issuer in issue from time to time (“Scheme Limit”) during a specified period of 10 consecutive years.

As a result of an application made by the Sponsor on behalf of the Company, the Stock Exchange has granted a waiver from strict compliance with Rule 23.03 (2) of the GEM Listing Rules to allow the Company to increase the Scheme Limit subject to the Share Option Scheme, and any other schemes, including the Pre-IPO Share Option Plan to 30% of the issued share capital of the Company from time to time subject to the following conditions:–

- (a) the maximum number of Shares in respect of which options may be granted under (i) the Share Option Scheme and (ii) any other share option scheme(s) of the Company (including the Pre-IPO Share Option Plan), shall not in aggregate exceed 30% of the entire issued ordinary share capital of the Company from time to time;
- (b) subject to (a) above, the shareholders of the Company may authorise the Directors to grant options under the Share Option Scheme, the Pre-IPO Share Option Plan and any other schemes entitling participants to acquire Shares pursuant to the exercise of options representing up to an aggregate of 10% of the issued Shares from time to time (the “Option Scheme General Mandate Limit”), which mandate may be renewed by shareholders in general meeting from time to time;

## WAIVERS FROM COMPLIANCE WITH THE GEM LISTING RULES

- (c) subject to (a) above, the Company may seek a separate shareholders' approval in general meeting to grant options beyond the Option Scheme General Mandate Limit to participants specified by the Company;
- (d) if options are granted to a connected person (as such term is defined in the GEM Listing Rules) who is not a substantial shareholder (as such term is defined in the GEM Listing Rules), the granting of such options will be subject to all independent non-executive Directors' approval;
- (e) where options are proposed to be granted to a connected person who is also a substantial shareholder or any of its associates, and the proposed grant of options, when aggregated with the options already granted to that connected person in the past 12 months period, would entitle him to receive more than 0.1% of the total issued Shares for the time being and the value of which is in excess of HK\$5,000,000, the granting of such option will be subject to independent Shareholders' approval. Apart from the connected person involved, all other connected persons of the Company must abstain from voting in such general meeting (except where any connected person intends to vote against the proposed grant). A circular must be prepared by the Company explaining the proposed grant, disclosing the number and terms of the options to be granted and containing a recommendation from the independent non-executive directors (as defined in the GEM Listing Rules) on whether or not to vote in favour of the proposed grant;
- (f) the following additional disclosures will be made in the annual, interim and quarterly reports of the Company:–
  - (i) details of options granted to each Director and all other participants; and
  - (ii) a summary of the major terms of each share option scheme approved by shareholders.

### TWO-YEAR TRACK RECORD

Pursuant to Rule 11.12 of the GEM Listing Rules, the Company must demonstrate that, throughout the period of 24 months immediately preceding the date of this prospectus, it has, either by itself or through one or more of its subsidiaries, actively pursued one focused line of business under substantially the same management and ownership as existed at the time of the application for listing.

The business of the Group commenced in or about September 1999. As the Company is engaged in a fast growing industry, it needs funding from time to time to finance the expansion of its business and operations in order to maintain its competitiveness in the industry. The Directors proposed the Share Offer to be completed in the first quarter of 2001 in order to apply the net proceeds from the Share Offer for the purposes as stated in the section headed "Use of proceeds" under the headings "Summary" and "Business objectives" in this prospectus. Consequently, the statement of active business pursuit in this prospectus mainly covers the period from 24th September, 1999 to the Latest Practicable Date.

## **WAIVERS FROM COMPLIANCE WITH THE GEM LISTING RULES**

Application has been made for a waiver from strict compliance with such GEM Listing Rules from the Stock Exchange. The Stock Exchange has granted the waiver in relation to strict compliance with Rules 11.12 of the GEM Listing Rules such that the statement of active business pursuit covers only the period from 24th September, 1999 to the Latest Practicable Date.

### **ACCOUNTANTS' REPORT COVERING AT LEAST TWO FINANCIAL YEARS**

**According to Rules 7.03(1) and 11.10 of the GEM Listing Rules, the Company is required to include its financial results in the accountants' report covering at least the two financial years immediately preceding the issue of the listing document.**

**As the financial year of the Group ends on 30th September, and this prospectus includes the results of the Company covering the period from 24th September, 1999 to 30th September, 2000 and the four month period ended 31st January, 2001, the Directors consider that strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules would be impractical and unduly burdensome.**

**The Company has therefore applied for a waiver from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules from the Stock Exchange. The Stock Exchange has granted a waiver in relation to strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules such that the accountants' report covers only the period from 24th September, 1999 to 30th September, 2000 and the four month period ended 31st January, 2001.**

**The Directors confirm that they have performed sufficient due diligence on the Group to ensure that up to the date of issue of this prospectus, there has been no material adverse change in the financial position of the Group since 1st February, 2001 and up to the Latest Practicable Date, and there is no event which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.**

## **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 GEM Listing Rules for the purpose 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.

### **FULLY UNDERWRITTEN**

This prospectus is published in connection with the Share Offer, the Share offer comprises the Placing of initially 81,000,000 new Shares and the Public Offer of initially 9,000,000 new Shares, in each case, at the Offer Price. The Share Offer is sponsored and managed by First Shanghai and fully underwritten by the Underwriters. For full information relating to the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

### **FIXING OF THE OFFER PRICE**

The Offer Shares are being offered at the Offer Price which will be determined in Hong Kong dollars by First Shanghai, on behalf of the Underwriters, and the Company on or before the Price Determination Time. For full information relating to the fixing of the Offer Price, please refer to the section headed "Structure and conditions of the Share Offer" in this prospectus.

**If First Shanghai, on behalf of the Underwriters, and the Company are unable to reach agreement on the Offer Price by the Price Determination Time, the Share Offer will not become unconditional and will lapse.**

### **OFFER SHARES TO BE OFFERED IN HONG KONG ONLY**

No action has been taken in any jurisdiction other than Hong Kong to permit any offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. This prospectus is not an offer, invitation nor is it calculated to invite or solicit offers in any jurisdiction in which it is not authorised, nor is it an offer or invitation to any person to whom it is unlawful to make an unauthorised offer or invitation.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the related application forms. The Company has not authorised anyone to provide any information or to make any representation not contained in this prospectus and the related application forms, and any information or representation not contained

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

herein and the related application forms must not be relied upon as having been authorised by the Company, First Shanghai, the other Underwriters, any of their respective directors, or any other person involved in the Share Offer.

### **APPLICATION FOR LISTING ON GEM**

The Company has applied to the GEM Listing Committee for the listing of, and permission to deal in the Shares in issue, Shares to be issued as mentioned in this prospectus (including any Shares which may be made available pursuant to the exercise of the Over-allotment Option) and any Shares which may be issued pursuant to the exercise of options which may fall to be granted under the Share Option Scheme and options which have been granted under the Pre-IPO Share Option Plan and as otherwise described herein, on GEM. Only Shares registered in the Hong Kong register of members may be traded 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 20% of the issued share capital of the Company in the hands of the public.

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

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

If you are unsure about the taxation implications of subscribing for the Offer Shares, or about the purchasing, holding or dealing in, or the exercise of any rights in relation to the Offer Shares, you should consult an expert.

The Company, the Sponsor, the Underwriters, their respective directors, or any other person involved in the Share Offer do not accept responsibility for any tax effects on, or liability of, any person resulting from subscribing for the Offer Shares, or purchasing, holding or dealing in, or the exercise of any rights in relation to the Offer Shares.

### **STAMP DUTY**

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

### **PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES**

The procedure for application for the Public Offer Shares is set out in the section headed “How to apply for the Public Offer Shares” of this prospectus and on the relevant application forms.

### **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

Details of the structure and conditions of the Share Offer are set out in section headed “Structure and conditions of the Share Offer” in this prospectus.

<b>DIRECTORS</b>
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<b>Name</b>	<b>Address</b>	<b>Nationality</b>
<i>Executive Directors</i>		
Dr. HO Hung Sun, Stanley	No. 1 Repulse Bay Road, Hong Kong	Chinese
Mr. CHENG Kar Shing, Peter	No. 12 Repulse Bay Road, Hong Kong	Chinese
Dr. LEE Jun Sing	Flat A, 6th Floor, Hatton House, 15 Kotewall Road, Hong Kong	American
Mr. FUNG Wing Cheung, Tony	Flat 23B, 23rd Floor, Block 3, 8A Old Peak Road, Hong Kong	Chinese
Mr. HO Yau Lung, Lawrence	Penthouse A, Broadview Villa, 20 Broadwood Road, Happy Valley, Hong Kong	Canadian
Mr. YUEN Tien Yau, Gordon	B-2, 17th Floor, Villa Monte Rosa, 41A Stubbs Road, Hong Kong	British
Mr. KO Chun Fung, Henry	19C, Skyscraper, 132-142 Tin Hau Temple Road, North Point, Hong Kong	Australian
<i>Non-executive Directors</i>		
Mr. FUNG Hoo Wing, Thomas	Room 2903B, Queen's Garden, 9 Old Peak Road, Central, Hong Kong	Chinese
Ms. LEONG On Kei, Angela	No. 4 Repulse Bay Road, Hong Kong	Portuguese
Mr. IMUTA, Hitoshi	2-140-1 Higashi Hatsuishi, Nagareyama-shi, Chiba, Japan	Japanese

## DIRECTORS

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
<i>Independent non-executive Directors</i>		
Mr. TSUI Yiu Wa, Alec	11A Branksome, 3 Tregunter Path, Mid-Levels, Hong Kong	British
Ms. PATAJO-KAPUNAN, Lorna	4 Surigao Street, West Avenue, Quezon City, The Philippines	Filipino

## PARTIES INVOLVED IN THE SHARE OFFER

<b>Bookrunner and Sponsor</b>	First Shanghai Capital Limited 19th Floor, Wing On House 71 Des Voeux Road Central Hong Kong
<b>Lead Manager</b>	First Shanghai Capital Limited 19th Floor, Wing On House 71 Des Voeux Road Central Hong Kong
<b>Co-lead Managers</b>	TradingGuru.com Securities Limited Suite 1801, Regent Centre 88 Queen's Road Central, Hong Kong  Kingston Securities Limited Suite 2801, 28th Floor One International Finance Centre 1 Harbour View Street Central, Hong Kong  Nomura International (Hong Kong) Limited 20th Floor, Asia Pacific Finance Tower Citibank Plaza, 3 Garden Road Central, Hong Kong  JS Cresvale International Limited 6th and 7th Floors, Asia Pacific Finance Tower Citibank Plaza, 3 Garden Road Central, Hong Kong
<b>Co-Managers</b>	Emperor Securities Limited 23rd-24th Floor, Emperor Group Centre 288 Hennessy Road Wanchai, Hong Kong  GC Securities Limited Units 6501-06, The Center 99 Queen's Road Central, Hong Kong  Young Champion Securities Limited Room 904-5, 9th Floor West Tower, Shun Tak Centre 200 Connaught Road Central Central, Hong Kong  HT Securities Limited 45th Floor, COSCO Tower 183 Queen's Road Central Central, Hong Kong

## PARTIES INVOLVED IN THE SHARE OFFER

Guotai Junan Securities (Hong Kong) Limited  
Suite 2509-2510, Asia Pacific Finance Tower  
Citibank Plaza, 3 Garden Road  
Central, Hong Kong

South China Securities Limited  
28th Floor, Bank of China Tower  
No. 1 Garden Road  
Central, Hong Kong

### Placing Underwriters

First Shanghai Capital Limited  
19th Floor, Wing On House  
71 Des Voeux Road Central  
Hong Kong

TradingGuru.com Securities Limited  
Suite 1801, Regent Centre  
88 Queen's Road Central, Hong Kong

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

Nomura International (Hong Kong) Limited  
20th Floor, Asia Pacific Finance Tower  
Citibank Plaza, 3 Garden Road  
Central, Hong Kong

JS Cresvale International Limited  
6th and 7th Floors, Asia Pacific Finance Tower  
Citibank Plaza, 3 Garden Road  
Central, Hong Kong

Emperor Securities Limited  
23rd-24th Floor, Emperor Group Centre  
288 Hennessy Road  
Wanchai, Hong Kong

GC Securities Limited  
Units 6501-06, The Center  
99 Queen's Road Central, Hong Kong

Young Champion Securities Limited  
Room 904-5, 9th Floor  
West Tower, Shun Tak Centre  
200 Connaught Road Central  
Central, Hong Kong

## PARTIES INVOLVED IN THE SHARE OFFER

HT Securities Limited  
45th Floor, COSCO Tower  
183 Queen's Road Central  
Central, Hong Kong

### **Public Offer Underwriters**

First Shanghai Capital Limited  
19th Floor, Wing On House  
71 Des Voeux Road Central  
Hong Kong

TradingGuru.com Securities Limited  
Suite 1801, Regent Centre  
88 Queen's Road Central, Hong Kong

JS Cresvale International Limited  
6th and 7th Floors, Asia Pacific Finance Tower  
Citibank Plaza, 3 Garden Road  
Central, Hong Kong

Young Champion Securities Limited  
Room 904-5, 9th Floor  
Shun Tak Centre, West Tower  
200 Connaught Road Central  
Central, Hong Kong

HT Securities Limited  
45th Floor, COSCO Tower  
183 Queen's Road Central  
Central, Hong Kong

Guotai Junan Securities (Hong Kong) Limited  
Suite 2509-2510, Asia Pacific Finance Tower  
Citibank Plaza, 3 Garden Road  
Central, Hong Kong

South China Securities Limited  
28th Floor, Bank of China Tower  
No. 1 Garden Road  
Central, Hong Kong

### **Legal adviser to the Company**

*As to Hong Kong law:*  
Woo, Kwan, Lee & Lo  
27th Floor, Jardine House  
1 Connaught Place  
Hong Kong

### **Legal adviser to the Underwriters**

*As to Hong Kong law:*  
Deacons  
3rd-7th and 18th Floors  
Alexandra House  
Hong Kong

<b>PARTIES INVOLVED IN THE SHARE OFFER</b>
--------------------------------------------

**Auditors and reporting accountants**

PricewaterhouseCoopers  
*Certified Public Accountants*  
22nd Floor, Prince's Building  
Central  
Hong Kong

**Property valuer**

Sallmanns (Far East) Ltd.  
15th Floor, Trinity House  
165 Wanchai Road  
Wanchai  
Hong Kong

**Receiving banker**

Bank of China, Hong Kong Branch  
1 Garden Road Central  
Hong Kong

## CORPORATE INFORMATION

<b>Registered office, head office and principal place of business</b>	Suite 5311 The Center 99 Queen's Road Central Central Hong Kong
<b>Company homepage/website</b>	<a href="http://www.iasiatechnology.com">http://www.iasiatechnology.com</a>
<b>Company secretary</b>	WONG Kwok Tung, Gordon, CA, AHKSA
<b>Qualified accountant</b>	AU Yin Chun, Grace, FCCA, AHKSA, CPA (Aust)
<b>Compliance officer</b>	YUEN Tien Yau, Gordon
<b>Audit committee</b>	PATAJO-KAPUNAN, Lorna (Chairperson) TSUI Yiu Wa, Alec
<b>Authorised representatives</b>	KO Chun Fung, Henry HO Yau Lung, Lawrence
<b>Principal bankers</b>	Dao Heng Bank Limited 11th Floor, The Center 99 Queen's Road Central Central Hong Kong  The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Central Hong Kong
<b>Share registrar and transfer office</b>	Abacus Share Registrars Limited Room 2401 Prince's Building Central Hong Kong

## INDUSTRY OVERVIEW

*The information provided in this section is derived from various private and/or government publications such as the IDC. This information has not been prepared or independently verified by the Company, the Sponsor, the Underwriters or their respective advisers.*

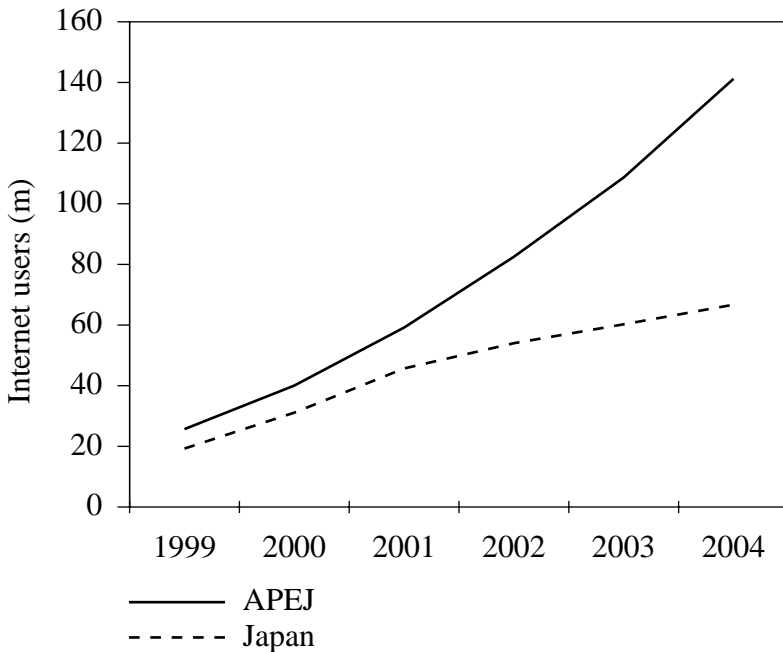
### THE GROWTH OF INTERNET USERS IN ASIA

Internet is becoming popular in many countries in Asia. Pursuant to IDC, Internet users in Asia Pacific (excluding Japan) (“APEJ”) and Japan will grow at a compound average growth rate (“CAGR”) of 41% and 28% respectively from the year ended 1999 to the year ending 2004. Key factors driving the surge in Internet users are as follows:

- A general improvement in the total number of Internet Service Providers (“ISPs”) in many of the APEJ countries. However, in Japan, ISP service is already at a high level. A majority of the customers are connecting to the Internet and a majority of the ISPs are providing Internet connection service at a speed of 56kps or above.
- Smart phones and handheld devices which allow for fast, effortless wireless connectivity to the Internet without having to invest in personal computers.
- Competition in price among ISPs has led to the emergence of free ISP and advertising-driven Internet access models across the APEJ region. In Japan, consolidation among ISPs is creating better services and more competitive pricing, on the other hand, free ISPs also start to emerge.
- A general improvement in the Internet infrastructure in most countries in the APEJ region, resulting in greater penetration. Japan, being a small country with a small geographic/demographic profile enables the rapid establishment of nationwide coverage very quickly.
- Development of new technology such as cable modems and ADSL have brought affordable, high-speed Internet services to many countries in the APEJ region. In Japan, ISDN lines are proliferating quickly and some Internet infrastructure providers are actively pushing for broadband.

## INDUSTRY OVERVIEW

### Internet Users in APEJ and Japan



Source: IDC, June 2000

## ONLINE TRADING

### Online investing in the US

Online investing in the US has won certain levels of acceptance and success. The driving forces of the increasing prevalence of online investing include the following:

- **Cost** – By automating the entire trading process, brokers may be able to lower their operating costs and achieve success by building economies of scale. Low incremental operating costs and high fixed costs mean that many online brokers are willing to compete on price.
- **Price** – Low commission rates have attracted a large number of personal investors to the Internet. For the active trader, these savings justify the use of an online broker.
- **Accessibility** – Internet users have access to their account information round the clock. Each transaction is completed in real time, which is a critical factor in times of volatile market conditions.
- **Convenience** – A number of online brokerage houses have simplified the process of securities trading. Users can view their portfolios online before making any decisions. This is an attractive proposition for many investors who would prefer viewing all relevant information on the Internet rather than discussing options with a broker via the telephone.

## INDUSTRY OVERVIEW

- Online resources – A wealth of sites offer real time stock quotes, investment advice, and portfolio tracking services on the Internet.
- Increased Internet commerce – Since 1994, the World Wide Web has served as a valuable resource for accessing information. In 1998, it emerged as an established medium for conducting transactions.

### Online trading in Asia

Asia will have an advantage over Western countries, as it will be able to follow the latter's paths of success and leverage upon lessons learned from the online brokers in the Western countries. However, unlike the Western market model, Asia is a highly fragmented region with unique sets of regulations, currencies, culture, and business dynamics, the go-to-market strategy for each Asian country has to be localized.

Japan is already seeing the number of online trading accounts blossom. Online brokerage accounts reached 1,342,000 as of September 2000. One round of deregulation has made way for competitive services from all financial institutions. The challenge now is to educate the "cash is king" society on how to use different investment tools available to reach financial freedom.

The securities industries in most of the countries in Asia are recovering from the Asian financial turmoil that broke out in 1997. According to IDC, with the increasing prevalence of the Internet and the general growing comfort and trust regarding Internet security, online trading will experience explosive growth and popularity in the next few years. Currently, the countries in Asia offering online trading are Japan, India, Indonesia, Hong Kong, South Korea, Taiwan, Singapore, Thailand and the PRC. From IDC surveys, Japan remains the most sensitive country with regard to online security.

According to IDC, most of the online trading will proliferate between the years of 2002 to 2004 when e-commerce adoption rate amongst APEJ countries is at its highest. The general comfort level regarding security on the Internet will reach a level that will foster e-commerce development. Traditional brokerages will be offering more and more online services, while pure online brokerages will have to establish themselves throughout Asia; thereby offering a wider variety of options to both small and high net-worth customers.

In Japan, online trading via PCs and wireless handsets will begin to proliferate more heavily in the second half of 2001, and continue strongly to 2004. Consumers will feel that eCommerce will have an acceptable level of security. The following set out the five factors which may boost online usage:

1. Early realization of night trading and off-hour trading.
2. Introduction of the Japanese version of a 401(k) pension plan.
3. Expansion of the mobile communications market.
4. Offering investment opportunities at lower price commitments.
5. Linking with net-banking facilities.

## INDUSTRY OVERVIEW

The following table illustrates online trading statistics in APEJ in 1999:

	<b>1999</b>
Percentage of trades conducted online	9.7%
Total number of online accounts (million)	2.7
Percentage active	40%
Total number of active online accounts (million)	1.1
Total online trade volume (US\$million)	271,556

*Source: IDC, February 2000*

IDC estimates that 40% of all trades will be conducted online by 2004. In the coming four years, there will be an explosion of trades conducted online and the percentage conducted online will reap to 30% by the beginning of 2003. Nonetheless, the growth between 30% and 40% will be much slower as a high percentage of trades conducted in APEJ are high volume transaction.

IDC also expects the number of online investors in APEJ trading through the Internet be increased from 2.77 million at the end of 1999 to 20 million by 2004, illustrating a CAGR of 50%. The average cost of acquiring a customer is estimated to be US\$300 to US\$400.

The following table presents the statistics conducted by IDC, regarding online trading in Korea, Taiwan, Hong Kong and Singapore in 1999:

	<b>Number of Internet users (million)</b>	<b>Total trade volume (US\$million)</b>	<b>Percentage of trades conducted online</b>	<b>Number of online accounts (mil)</b>
Korea	3.31	\$821,000	23%	1.80
Taiwan	2.00	\$908,000	4%	0.55
Hong Kong	1.01	\$606,093	5%	0.05
Singapore	0.72	\$115,408	5%	0.05

*Source: IDC, February 2000*

The following table summarizes the actual and forecasted percentage of trades conducted online in 1999 and 2004 respectively:

	<b>Percentage of trades conducted online in 1999</b>	<b>Projected percentage of trades conducted online in 2004</b>
Korea	23%	51%
Taiwan	4%	25%
Hong Kong	5%	40%
Singapore	5%	40%

*Source: IDC, February 2000*

## INDUSTRY OVERVIEW

### THE DEVELOPMENT OF TRADING INFRASTRUCTURE IN HONG KONG

To ameliorate the efficiency of the stock market and accessibility by investors, the Stock Exchange has been developing the third generation of the Automatic Order Matching and Execution System, AMS/3.

Compared with the previous trading system, AMS/2, AMS/3 has extensive capabilities in various areas, including market model, trading methods, market access and trading facilities, as well as investor access channels.

Apart from the traditional method of placing orders with brokers by telephone, AMS/3 provides new access channels including through the Internet or by mobile phone for investors to submit trading requests and to use other services such as submission of IPO applications. The new trading system provides investors better access to information such as stock pricing and order status, and have easier ways to conduct investment activities via the Internet or by mobile phone.

In addition, the new trading system is likely to raise efficiency of the market and enable higher turnover processing. As such, brokers can leverage from the new trading system to improve operational efficiency substantially and provide trading economies for their clients. The new trading methods and order types will help brokers to meet different investment needs.

Under AMS/3, there are two approaches to trading – gateway approach and terminal approach:

1. Gateway approach – under this approach, brokers can obtain market accessibility using an open gateway (“Open Gateway”) device. Market accessibility refers to the linkage to AMS/3 trading host system which enables brokers to perform electronic data interchange, and the connection with ORS to capture investor trading requests. ORS is an open system that enables investors to place stock market orders through the Internet, mobile phone and other electronic channels, which may be developed by the Stock Exchange or vendors. After an order is placed through an electronic channel connected to ORS, the system automatically sends the order to a broker for approval and then submits to the market for matching and execution.
2. Terminal approach – under this approach, trading is conducted through an AMS/3 trading terminal. AMS/3 trading terminals are similar to the previous on-floor and off-floor terminals in terms of operation and functionality. The main improvement is that the AMS/3 supports new trading functionality, such as access to multiple market, new trading methods, and new order types. However, market accessibility features are not offered on AMS/3 trading terminals.

Brokers can select the appropriate trading facility which best meets their trading and operational needs. One of the options would be to use Multi-workstation System (“MWS”) developed by the Stock Exchange. Apart from MWS, brokers can connect the Open Gateway to their own systems, which are generally referred to as Broker Supplied System (BSS).

AMS/3 was introduced on 23th October, 2000. All trading terminals used by Hong Kong’s stock-brokers were required to be converted from AMS/2 format to AMS/3. In November 2000, the first batch of the BSS was launched. The Stock Exchange selected 34 brokers as the first-phase brokers to be allowed to use BSS, which is tailored for their own design of Internet platform, to connect clients to AMS/3. In December, 2000, MWS was introduced and 17 second-phase brokers launched their BSS. However, no definite schedule has been set for the full implementation of the AMS/3.

## **INDUSTRY OVERVIEW**

On 23rd February, 2001, the Stock Exchange introduced the ORS to AMS/3 and its online trading service. Over 100 brokers have expressed interest in connecting their trading systems to ORS. 21 brokers have already connected to the system. The remainder will connect to the system in batches, from late March.

Brokers who are connected to the Stock Exchange's online trading service will be able to offer their clients Internet trading. All brokers, including those who are connected to the Stock Exchange's channel, will also be able to offer their clients electronic trading services, including Internet and mobile trading, through PNS channels provided by vendors.

## HISTORY AND ACTIVE BUSINESS PURSUITS

### HISTORY AND ACTIVE BUSINESS PURSUITS

The Group was founded in Hong Kong by a consortium of shareholders including Dr. Ho, Mr. Cheng, Dr. Lee, Mr. Ko and Mr. Yuen (all of whom being executive Directors), Yu Ming and Mr. Robin Miles, a member of the senior management of the Group. Being a company with limited history, new shareholders have continually been introduced to the Company since its inception in September 1999 with a view to strengthening its shareholders' base and to expanding its business. Details of changes in the share capital of the Company are set out in the section headed "Further information about the Company" in Appendix IV to this prospectus. The business of the Group commenced in September 1999 when the management of the Group began negotiations with the various partners of the Group. In view of the growing potential of online trading solution market, the Directors aim at positioning the Group to dominate the cross border trading arena and to become the leader of the market. Since its inception, the Group has been actively progressing in developing its core business which are summarised as follows.

#### FROM INCEPTION TO 30TH SEPTEMBER, 2000

During this period, the management of the Group has been actively pursuing liaison and partnership with potential leading and reputable strategic and technology partners to increase its presence throughout the Pan-Asian region and to develop a comprehensive range of online trading products.

#### Collaboration with strategic partners

In order to expand its market coverage to territories outside Hong Kong, especially in Asia, the Group has lined up with a number of local strategic partners in Asia to capitalise on their niches so as to establish its presence and develop its business in each local market. The arrangements with strategic partners are based on a revenue sharing model which induces the relevant parties to perform in the best interests of the alliance.

In October 1999, the management of the Group secured a non-binding memorandum of understanding which was signed with Fitel on the development and building of an interactive service bureau for online trading solution in Taiwan.

In November 1999, the management of the Group secured a non-binding memorandum of understanding which was signed with SunPage Communications Pte Ltd, a subsidiary of Singapore Technologies which is the intermediate holding company of SunPage, for the development and building of an interactive service bureau for online trading ASP in Singapore and Malaysia.

On 19th January, 2000, the Company formalised its relationship with Fitel by entering into a cooperation agreement in relation to the establishment and operation of service bureau for online trading solution in Taiwan. The term of the agreement is 10 years from the date of the agreement and is renewable for a further 10 years. The Group's major responsibilities include (i) the provision of technical know-how, hardware, software and computing components, as well as (ii) the design of an interactive online trading service bureau in Taiwan.

Fitel's major responsibilities include (i) obtaining all governmental and regulatory approvals for online trading, (ii) ensuring compliance with applicable local laws and regulations, (iii) the provision of Internet access, bandwidths, lines and facilities for the service bureau, and (iv) marketing and promotion based on a mutually agreed marketing plan at its own expense.

## HISTORY AND ACTIVE BUSINESS PURSUITS

On 24th February, 2000, the Company entered into a service agreement with SunPage for the launch and operation of the service bureau for online trading solution in Singapore and Malaysia. The Company is mainly responsible for (i) the provision of technical know-how for the service bureau, hardware, software, computing components, technical support and maintenance, (ii) the design of service bureau, (iii) ensuring performance of the agreement and activities of the Group are in compliance with laws and regulations in Singapore and Malaysia, and (iv) assisting SunPage in the development of marketing plan for the promotion of business of the service bureau.

On the other hand, SunPage is mainly responsible for (i) ensuring the establishment and operation of the service bureau and its activities are in compliance with Singapore and Malaysia laws and regulations, (ii) obtaining all governmental and regulatory approvals for the service bureau operations, (iii) providing Internet access, bandwidth, dedicated lines, links and co-location facilities for the service bureau, and (iv) the marketing and promotion in the service bureau.

The agreement with SunPage is valid from the date of the agreement to 10 years after the commencement date of online trading services and renewable for a further 10 years. Online trading services on the Singapore and Malaysia markets are scheduled to be launched in the second quarter of 2001. After three years from the date of the agreement, either party can terminate with not less than six months' notice in writing.

On 1st March, 2000, the Company entered into a cooperation agreement with QYXX on the establishment of service bureau for online trading solution in Thailand. The term of the agreement is 5 years from the date of the agreement and is renewable for a further 5 years. The Company's major responsibilities include (i) the provision of technical know-how for the establishment and effective functioning of service bureau, comprising Trade Engine Server and Back Up Trade Engine Server, (ii) provision of hardware, software, computing components, as well as technical support, and maintenance of the service bureau, and (iii) the design of service bureau.

QYXX's major responsibilities include (i) ensuring establishment and operation of the service bureau and its activities are in compliance with all applicable laws and regulations, (ii) obtaining all governmental and regulatory approvals for the service bureau operations, (iii) providing Internet access, bandwidths and dedicate lines and links and other necessary facilities, (iv) establishing a portal website or a platform to facilitate, enable or encourage online transactions through multi-channels, and (v) marketing of business.

On 1st March, 2000, the Company entered into a cooperation agreement with iVentures on the establishment of service bureau for online trading solution in the Philippines. The Company's major responsibilities include (i) provision of technical know-how for the establishment and effective functioning of service bureau, comprising Trade Engine Server and Back Up Trade Engine Server, (ii) provision of hardware, software, computing components, as well as technical support, and maintenance of the service bureau, and (iii) design of service bureau.

iVentures' major responsibilities include (i) ensuring establishment and operation of the service bureau and its activities are in compliance with all applicable laws and regulations, (ii) obtaining all governmental and regulatory approvals for the service bureau operations, and (iii) providing Internet access, bandwidths and dedicate lines and links and other necessary facilities.

The agreement with iVentures is valid from the date of the agreement to 5 years after the commencement date of online trading services, which is scheduled in the second quarter of 2001, and renewable for further 5 years.

## HISTORY AND ACTIVE BUSINESS PURSUITS

### Collaboration with technology partners

In November 1999, the management of the Group secured a non-binding memorandum of understanding with NRIHK for the joint development, customisation and localisation of back-office system in the Pan-Asian region.

In December 1999, the management of the Group secured a non-binding memorandum of understanding with Computershare for, among other things, the development of an interactive service bureau in Hong Kong as well as expressing their intention to work in good faith towards similar arrangements for other markets in which the Group intends to set up an interactive service bureau.

On 1st March, 2000, the Company entered into a non-binding memorandum of understanding with Sun under which the Company has expressed its intention to engage Sun to be the technology and system platform provider to support the Group's technology requirements in various Asian countries where the Group may operate.

The Company has utilised server products from Sun in setting up its interactive service bureau to provide online transactions through Internet in Hong Kong.

On 21st March, 2000, the Company entered into a sales agency agreement with NRIHK on the back-office system known as A-STAR™. Pursuant to this agreement, the Company is to serve as an agent for the sale of A-STAR™. The legal copyright owner of A-STAR™ is NRIHK. The Company has the licence to resell A-STAR™ to end user, who will then have the licence to use it.

NRIHK's major responsibilities include (i) the provision of technical know-how to enable A-STAR™ to become an integral component of the service bureau, (ii) dealing with after sales enquiries relating to A-STAR™ promptly and efficiently, (iii) provision of the development resources, installation support, training and on-going technical support and maintenance for A-STAR™, and (iv) compliance with all applicable laws and regulations relating to nature, packaging and labeling of A-STAR™.

In June 2000, the Group commenced negotiations with CSP with a view to obtaining the licence and right to use the Trading System, ROS2, also known as "INTS" developed by CSP.

On 27th June, 2000, the Company entered into a non-binding memorandum of understanding with JS Cresvale Securities Asia Limited, a wholly owned subsidiary of JS Cresvale on (i) integration of the back office system, known as CTAS, developed by JS Cresvale Securities Asia Limited with the relevant Trading System adopted by the Company and (ii) grant of distribution rights by JS Cresvale Securities Asia Limited to the Company for the promotion, selling and sub-licensing of the integrated back office system jointly developed by JS Cresvale Securities Asia Limited and the Group in various Asian countries. The legal copyright owner of CTAS is JS Cresvale.

On 21st July, 2000, the Company entered into a master agreement (as supplemented by two letters dated 24th August, 2000 and 29th September, 2000) for the provision of ASP services with Ebiz Solutions. The Company was granted a licence to use the Trading System developed by Ebiz Solutions, known as IST, in connection with the provision of ASP services in various Asian countries subject to the terms and conditions set out therein. In consideration of the grant of such licence, the Company shall pay a one-off licence fee of US\$3.5 million (approximately HK\$27.3 million) to Ebiz Solutions by four instalments. The first two instalments of 25% each shall respectively be paid within certain days after any notification by the Company to Ebiz Solutions of

## HISTORY AND ACTIVE BUSINESS PURSUITS

its intended usage of the IST in a particular country, and the remaining 2 instalments of 40% and 10% each shall respectively be paid within certain days after the date of the acceptance certificate or such later date as agreed by the Company and Ebiz Solutions. There is no long-stop date under the agreement.

It was agreed by the parties therein that save for the first 25% of the one-off licence fee, the Company is entitled, at its absolute discretion and subject to the regulation of the relevant stock exchanges, to settle any instalment in the remaining 75% of such one-off licence fee, which amounts to US\$2.63 million (approximately HK\$20.48 million), that become due and payable by the Company by issue and allotment of Shares in such amount nearest to but not less than the value of the sum due.

Should the Company decide to exercise such right, assuming an issue price of HK\$0.64 per share (being the lowest point of the indicative range of the Offer Price between HK\$0.64 to HK\$0.70), approximately 32.0 million new shares will be issued to Ebiz Solutions, representing approximately 6.6% of the enlarged issued share capital of the Company without taking into account any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which have been granted or may be granted under the Pre-IPO Share Option Plan and the Share Option Scheme, or any Shares which may be allotted and issued and to be issued as mentioned therein 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 or otherwise.

All copyrights embodied in or relating to the IST (also referred to as ROS3) shall at all times remain the property of Ebiz Solutions and all copyrights embodied in or relating to any interface programs or other software developed for use in connection with the IST shall belong to the party who independently developed the same.

Under this agreement, the Company's major responsibilities include (i) preparing a timetable for the use of the IST in the relevant country and (ii) preparing the localised specifications of the IST for the relevant country. The Company may elect to perform the customisation of the IST (if necessary) either on its own or with the assistance of Ebiz Solutions.

Ebiz Solutions's major responsibilities include (i) providing telephone advice and assistance relating to day to day enquiries made by the Company in respect of the use or operation of the IST System, (ii) using its best endeavors to provide corrective work on the IST System and supplying to the Group from time to time new version of the IST System with modifications involving correction of errors or problems, if any, but without involving any improvements or enhancements to the functionality of the IST.

On 27th September, 2000, the Company entered into a pre-incorporation agreement with CSP on the formation of a joint venture in the Philippines for the setting up of an interactive service bureau, which is a system where multiple software applications can be used and/or shared by multiple users.

Pursuant to the agreement, the authorized capital of the joint venture shall be at least PHP60 million (approximately HK\$9.5 million). The proportion of shares of the joint venture beneficially owned by CSP and the Group will not be less than 35% each, and the remaining balance of 30% will be open to brokers in the Philippines and other shareholders to subscribe. The Company shall contribute PHP2.5 million (approximately HK\$0.40 million) into the joint venture upon execution

## HISTORY AND ACTIVE BUSINESS PURSUITS

of the agreement and PHP12.5 million (approximately HK\$1.98 million) within 15 days from the receipt of notice of the due incorporation of the joint venture corporation. As at the Latest Practicable Date, the Company has contributed PHP2.5 million (approximately HK\$0.40 million) for the purpose of the joint venture.

In the event that the formation of the joint venture materialises, the Company will comply with the disclosure and/or shareholders approval requirements under Chapter 19 and other relevant provisions of the GEM Listing Rules.

The arrangements with the above technology partners are based on a revenue sharing model which injects incentives to promote the mutual business interests.

### **Collaboration with an independent third party supplier**

During this period, the Company has entered into an agreement with an independent third party for utilisation of the services and software provided by the third party.

The Company is currently in dispute in relation to certain service fees of approximately £489,000 (equivalent to approximately HK\$5,760,000 charged by the independent third party in respect of work performed by it to the Company. Please refer to the paragraph headed “Litigation” under the section headed “Other information” in the Appendix IV to this Prospectus for more details.

### **Collaboration with content partners**

On 22nd March, 2000, the Company entered into an information service contract with Reuters, a subsidiary of Reuters Group plc. pursuant to which, Reuters supplies regional stock information data to the Group’s trading platform. In addition, Reuters agrees to assist the Company in setting up the infrastructure in the Asian region for 24-hour real time stock market data and data facilities for the Company to supply worldwide stock information through any interactive media, such as the World Wide Web, WAP-enabled devices, PDA and interactive television. The Directors believe that reliable and accurate data service enables the Group to compete against other service providers.

Under this cooperation, the Company will charge its broker clients a subscription fee for accessing the real time data based on the total number of end users. Reuters will in turn charge the Company under a similar pricing model.

On 1st June, 2000, the Company entered into a non-binding heads of agreement with ASI pursuant to which the content provided by ASI will be delivered through the Group to brokers and end users.

Under this cooperation, the Company will receive a commission on sales of ASI products including research reports and company information made through the Group’s business network.

On 11th August, 2000, Raylam and the Company entered into a non-binding memorandum of understanding under which both parties agreed to (i) proceed with good faith negotiations in respect of the joint development, operation and promotion of a financial information WAP site known as iasiamoney2u.com and the entering into cooperation agreement with public radio communication service operators, such as Hutchison Telecom; (ii) to enable mobile phone users to access the contents of the WAP site on the Internet by using wireless application protocol through the operator’s mobile networks.

## HISTORY AND ACTIVE BUSINESS PURSUITS

### Research and development

In order to accommodate Asian clients' specific needs and requirements, the Group has dedicated its resources to the research and development of online trading solutions to brokers and financial institutions in Asia. The research and development team has been actively making progress on product research and development so as to cater for the special needs and requirements in securities trading on various Asian stock exchanges.

In February 2000, the Group started to develop the online trading system, ROS1, by integrating, enhancing and customising a real time online trading system which was originally developed by an independent online trading solution provider.

In April 2000, the Group commenced the integration of ROS1, the Group's real time online trading system, with the real time back office system, A-STAR™ developed by NRIHK. In July 2000, the A-STAR™ back office system was fully integrated with the Group's online Trading System. It has already been used by the Group's clients.

From May 2000 to August 2000, the Group developed an online odd-lot Trading System for Get Nice, which is designed to handle trading of dedicated odd lot stocks on the Stock Exchange.

In August 2000, the Group launched its front-end Trading System, ROS1, which was jointly developed by an independent third party who is an online trading solution provider and the Group. Please refer to the paragraph headed "Description of business" under the section headed "Business" for more details of ROS1.

In addition, the Group commenced customisation on another Trading System, ROS3, also known as IST, developed by Ebiz Solutions. During the same month, the Group has also started to develop its own Trading System, ROS4, tailor-made for Hong Kong and other Asian markets. Moreover, the Group has started to integrate and customise a back office system, CTAS, developed by JS Cresvale. Please refer to the paragraph headed "Description of business" under the section headed "Business" of this prospectus for more details of ROS3 and ROS4.

The Group started to develop the market data terminal in August 2000 for the provision of price feeds terminal for brokers. During the same month, the Group also joined force with Raylam to develop a financial information WAP site called [iasiamoney2u.com](http://iasiamoney2u.com), which was launched on Hutchison Telecom's network "Orange" in September 2000.

From June 2000 to September 2000, the Group has developed an online trading game via the Internet, as well as via WAP phones. The Internet trading game was launched by TradingGuru in September 2000.

### Marketing

In March 2000, a press conference was held in Hong Kong for the formal announcement and introduction to the public of the shareholders, the management and the regional partners of the Group, to arouse the public attention to the Group's services. During the same month, a seminar was also held in Hong Kong, well known companies such as Reuters and Sun were invited as guest speakers. The Directors are of the view that the success of this seminar has created sales leads.

## HISTORY AND ACTIVE BUSINESS PURSUITS

In April 2000, a member of the Group's management team was invited to be one of the keynote speakers in Fitel's third anniversary press conference. In this event, the Group gained press coverage in the Taiwanese market, and the Directors believe that this event has enhanced the Group's profile and raise brand awareness in the Taiwanese financial ASP market.

In May 2000, a member of the Group's management team was invited to be one of the keynote speakers in Sun's Banking Summit 2000. In this event, a booth was set up to showcase the Group's products. The Directors are of the view that this event has generated sales for the Group, enhanced its profile and raised brand awareness.

In September 2000, the Group's client, Get Nice, launched its trading service and the first odd-lot Trading System in Hong Kong with the assistance of the Group's technology. The Directors are of the view that this event has promoted the Group's innovative services and expertise and its commitment to financial trading.

In September 2000, the mobile network operator Hutchison Telecom under the brand name "Orange" announced its cooperation with the Group and Raylam in providing the first real time news services via their WAP site for WAP subscribers of Hutchison Telecom. The Directors consider that this cooperation has paved the way for further cooperation with Hutchison Telecom, and has caused some degree of noise and brand awareness in the public.

In September 2000, a member of the Group's management team was invited as one of the speakers for Get Nice's investment seminar. The Directors believe that this event has also enhanced the Group's profile to raise its brand awareness in Hong Kong.

### **Number of contracts secured**

During this period, the Company has signed 4 non-binding letters of intent, 4 non-binding memorandum of understanding, and 4 formal agreements with 12 brokers and/or their related system provider companies (including JS Cresvale, an underwriter of the Share Offer and TradingGuru.com Holdings Limited, the holding company of TradingGuru, another underwriter of the Share Offer) for the provision of online securities trading services.

### **FROM 1ST OCTOBER, 2000 TO THE LATEST PRACTICABLE DATE**

#### **Collaboration with strategic partners**

On 20th October, 2000, Viewtrade and the Company entered into a non-binding letter of intent, pursuant to which both parties could share each other's networks of markets to facilitate cross border trades between these markets.

On 12th February, 2001, the Company entered into a joint venture agreement with iVentures for the establishment of a joint venture company in the Philippines, which will set up and operate a software research and development center ("Center") in the Philippines. The main function of the Center is the development and maintenance of software and system with functionalities and features suitable for use in online financial trading; customisation of any relevant online trading system adopted by the Company to fit the needs and requirements of regional customers and to comply with the rules and regulations of local stock exchanges; and the provision of backup assistance by the development team in Manila (both in terms of technical know-how, design and idea) to the development team of the Company situated in Hong Kong.

## HISTORY AND ACTIVE BUSINESS PURSUITS

Under the terms of the agreement, the joint venture company to be established shall have an initial authorised capital of PHP25 million (approximately HK\$3.97 million). The contribution of the Company and iVentures to the joint venture company shall be made in accordance with their respective equity interest in the joint venture company, which shall not be more than 70% for the Company and not less than 30% for iVentures. The initial contribution of the Company and iVentures shall be PHP17.5 million (approximately HK\$2.78 million) and PHP7.5 million (approximately HK\$1.19 million) respectively, which shall be payable in cash by the respective parties on or before the expiration of 45 days from the date of incorporation of the joint venture company, or 31st March, 2001, whichever is later, or such other date as may be agreed between the relevant parties.

As at the Latest Practicable Date, the Company is in the process of setting up a research and development center with iVentures.

Each of the strategic partners is in the process of establishing the online trading service bureau and promoting the business of the same in their respective countries. The Group's target customers are local financial institutions and brokers.

The Company has been approached by many financial institutions/brokers in the Pan-Asian region and is currently in discussion and negotiation regarding the terms of the services that the Company will provide. The Directors expect these clients will be capitalized once the Company establishes its local presence in each of these countries.

Even though the Group has not yet commenced the service bureau business for online trading solution in the Asian countries with the various strategic partners mentioned in this prospectus, the Group is still actively discussing and working with these strategic partners with a view to establishing the service bureau as soon as practicable.

### **Collaboration with technology partners**

On 1st March, 2001, the Company entered into a formal agreement with CSP under which CSP has granted a non-exclusive licence to the Company to use, to further develop and to distribute the INTS and ITS (collectively "CSP System") and other related software in Thailand. In consideration of the grant of such licence, the Company shall pay a one-off licence fee of US\$500,000 (approximately HK\$3.9 million) to CSP by five instalments. The first instalment of 10% shall be paid on early April 2001, another two instalments of 20% each shall respectively be paid on early May and June 2001 and the remaining two instalments of 30% and 20% each shall respectively be paid upon the successful completion of acceptance test of the system and upon the date when the system is accepted by the first customer. Further CSP shall be entitled to certain percentage of any Company's revenue generated from distribution of the system to end-users. Under the agreement, CSP undertakes that it will release the source code of the system to the Company for further development and use for the Thai market after payment of not less than 40% of the said one-off licence fee by the Company. There is no long-stop date under the agreement.

All the intellectual property rights embodied in or relating to the CSP System shall at all times belong to CSP and all intellectual property rights embodied in or relating to any interface programs or other software developed solely by the Company itself that can be used independently with CSP System shall belong to the Company. The Directors are of the view that apart from the above arrangement, there do not exist any other intellectual property issues, such as assignment of rights, agency or licence of intellectual property right or copyright between the Company and CSP.

## **HISTORY AND ACTIVE BUSINESS PURSUITS**

As at the Latest Practicable Date, the Company is in the process of setting up the joint venture company with CSP pursuant to the pre-incorporation agreement dated 27th September, 2000.

### **Collaboration with content partners**

On 24th October, 2000, AFX-Asia and the Company entered into a distributor agreement pursuant to which AFX-Asia has granted a non-exclusive right and licence to the Group to distribute the English version of the real time local news headlines and market closing reports provided by AFX-Asia in Hong Kong via the Group's market data terminals.

### **Research and development**

In October 2000, the Group also started to develop PNS for connecting to ORS in AMS/3 of the Stock Exchange. The PNS was launched in February 2001.

In November 2000, the development of the IST was completed and has been set up for sales demonstration.

In the same month, the CTAS back office system was fully integrated with the Group's online Trading System and is currently used by the Group's clients. A new feature of importing real time trade transaction from the Group's online Trading System is currently under development.

During this period, the INTS, which is developed by CSP, has been studied and evaluated by the Group for the deployment in other Asian markets.

### **Number of contracts secured**

As at the Latest Practicable Date, the Group has signed 3 non-binding letters of intent, 3 non-binding memoranda of understanding, and 9 formal agreements with 14 brokers and/or their related system provider companies (including JS Cresvale, an underwriter of the Share Offer, and TradingGuru.com Holdings Limited, the holding company of TradingGuru.com Securities Limited, another underwriter of the Share Offer) for the provision of online securities trading services.

## HISTORY AND ACTIVE BUSINESS PURSUITS

### FINANCIAL ANALYSIS ON THE AUDITED RESULTS FOR THE PERIOD FROM 24TH SEPTEMBER, 1999 TO 30TH SEPTEMBER, 2000 AND THE FOUR MONTH PERIOD ENDED 31ST JANUARY, 2001

#### Trading Records

The following is a summary of audited results of the Company and the audited consolidated results of the Group for the period from 24th September, 1999 (date of incorporation) to 30th September, 2000 and the four month period ended 31st January, 2001, respectively which have been extracted from the Accountants' Report set out in Appendix I to this prospectus.

	<u>Company</u> <u>Period from</u> <b>24th September,</b> <b>1999 (date of</b> <b>incorporation)</b> <b>to 30th September, 2000</b> <i>HK\$'000</i>	<u>Group</u> <u>Four month</u> <u>period ended</u> <b>31st January, 2001</b> <i>HK\$'000</i>
Turnover		
System customisation fees	3,502	–
Hook up fees	260	85
Sale of back office systems	378	15
Messaging fees	6	24
Data management fees	–	3
Content management and subscription fees	–	21
	4,146	148
Other revenue	195	174
Changes in work-in-progress	351	(20)
Work performed by the Group and capitalised under fixed assets	2,343	1,284
Staff costs	(11,161)	(6,787)
Depreciation	(980)	(1,301)
Other operating expenses	(5,427)	(2,166)
	(10,533)	(8,668)
Finance costs	(29)	(17)
	(10,562)	(8,685)
Loss for the period	(10,562)	(8,685)
Loss per share (HK\$) ( <i>Note</i> )	(0.11)	(0.03)

*Note:*

The calculation of the loss per share for the Relevant Periods is based on the results for each of the Relevant Periods and the weighted average of 99,368,587 ordinary shares and 289,157,437 ordinary shares in issue during the periods ended 30th September, 2000 and 31st January, 2001 respectively. The weighted average number of shares in issue during the Relevant Periods has taken into account the subdivision of one share of HK\$1.00 each into 10 shares of HK\$0.10 each of the Company on 14th March, 2001.

## HISTORY AND ACTIVE BUSINESS PURSUITS

### **From 24th September, 1999 to the period ended 30th September, 2000**

Since the date of inception, the Company has concentrated its effort in planning, structuring, as well as implementing its core business model to become a premium Pan-Asian ASP for trading solution application. During this period, the Company incurred significant expenses in the process of forming cooperation agreements with different strategic local partners and technology partners. Such effort was reflected in the profit and loss account, as overseas travel expenses, marketing and promotion expenses, and legal and professional fees amounted to approximately 17% of total expenses during such period.

The Company's recorded a turnover of approximately HK\$4.15 million mainly comprising approximately HK\$0.27 million hook up fees and messaging fees from online trading services, approximately HK\$3.50 million for system customisation fees for services rendered by the Company and approximately HK\$0.38 million from sale of back office systems. The Directors believe that the low level of ASP online trading revenue was mainly due to the low volume of online stock trading transactions during the period, as AMS/3 had not yet been launched on the Hong Kong stock market. In addition, for certain early signed up brokers, the hook up fees have been waived by the Company.

During the period under review, the Company incurred a net loss of approximately HK\$10.56 million. No provision for profits tax has been provided in the Company's profit and loss account during this period, as the Company incurred a net loss for the purpose of Hong Kong taxation.

### **For the four month period ended 31st January, 2001**

The Group's turnover for the four month period ended 31st January, 2001 amounted to approximately HK\$148,000, mainly comprising approximately HK\$109,000 hook up fees and messaging fees from online trading services, approximately HK\$21,000 from content management and subscription fees, approximately HK\$3,000 from data management fees and approximately HK\$15,000 from sale of back office systems. During this period, there was no revenue from system customisation services as the Group concentrated its effort in designing and developing BSS and PNS.

During the period under review, the management had tightened its control on operating expenses, especially on staff costs, advertising, promotion and general costs, to ensure that the resources for the expansion of business were employed in a cost effective way, as well as meeting the Group's expansion plan.

The significant increase in average monthly staff costs during the period was mainly due to the extra manpower added to the Group's work force for software development and the commencement of operations within the four month period ended 31st January, 2001. The average number of headcount has increased to 49 during this period.

Depreciation of fixed assets (including software development costs) has increased due to the commencement of operations, and amounted to approximately HK\$1,301,000 for the four month period ended 31st January, 2001, as compared with approximately HK\$980,000 for the period from 24th September, 1999 to 30th September, 2000. The Group expects further increase in such expenses as the Group continues to expand in the Asia Pacific region.

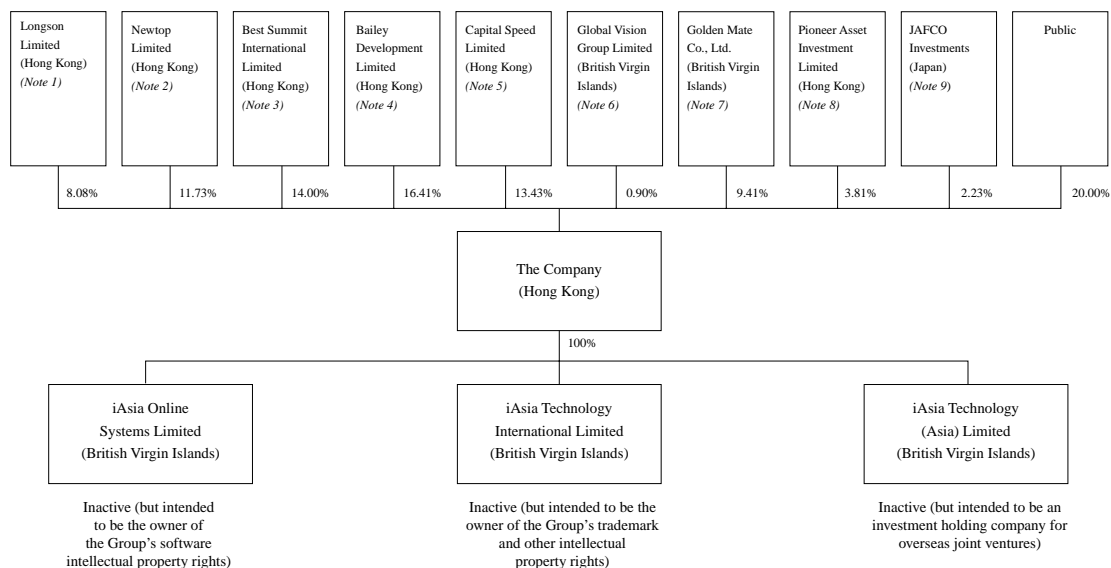
## **HISTORY AND ACTIVE BUSINESS PURSUITS**

Other operating expenses are mainly network expenses, marketing expenses, office rental and other general administrative costs. During the period under review, management were cautious in keeping such expenses to a minimum, and as a result, increase of such expenses have been moderate.

No provision for profits tax had been provided in the Group's profit and loss account in this period as the Group has incurred loss for tax purposes during this period. As at 31st January, 2001, the Group had estimated accumulated tax losses carried forward amounting to approximately HK\$2,638,000 which will be available to set-off against future assessable profits.

## SHAREHOLDING STRUCTURE OF THE GROUP

Set forth below is the simplified shareholding structure of the Group immediately following completion of the Share Offer and the Capitalisation Issue but before the exercise of the Over-allotment Option:



*Notes:*

1. Longson is a company incorporated in Hong Kong with limited liability under the Companies Ordinance and is entirely beneficially owned by Yu Ming.
2. Newtop is a company incorporated in Hong Kong with limited liability under the Companies Ordinance and is owned as to 50% by Kateman International Ltd. and as to 50% by Potassium Corp. Each of Mr. Joseph Fung, Mr. Thomas Fung and Mr. Tony Yeung beneficially owns or has control over 33 1/3% of the issued share capital of Kateman International Ltd.. The entire issued share capital of Potassium Corp. is beneficially owned by Mr. Cheng.
3. Best Summit is a company incorporated in Hong Kong with limited liability under the Companies Ordinance and is entirely beneficially owned by Dr. Lee.
4. Bailey is a company incorporated in Hong Kong with limited liability under the Companies Ordinance and is beneficially owned as to 65% by Dr. Ho, as to 15% by the mother of Dr. Lee, Mrs. Lee Wong Fun Chong, as to 5% by the father of Dr. Lee, Mr. Lee Sing Man, as to 5% by Dr. Lee, as to 5% by Ms. Angela Leong, and as to the remaining 5% by two persons who are independent parties not connected with any of the chief executive, directors, initial management shareholders, substantial shareholders of the Company or their respective associates.
5. Capital Speed is a company incorporated in Hong Kong with limited liability under the Companies Ordinance and is owned beneficially as to 51% by Mr. Ko and as to 49% by Mr. Yuen.
6. Global Vision Group Limited is a company incorporated in the British Virgin Islands with limited liability and is entirely beneficially owned by Mr. Robin Miles.
7. Golden Mate is a company incorporated in the British Virgin Islands and is entirely beneficially owned by Mr. Lawrence Ho.
8. Pioneer Asset is a company incorporated in Hong Kong with limited liability under the Companies Ordinance and is beneficially owned as to 25% by Dr. Lee, as to 25% by the mother of Dr. Lee, Mrs. Lee Wong Fun Chong, as to 25% by the brother of Dr. Lee, Mr. Lee Jun Wai and as to 25% by the father of Dr. Lee, Mr. Lee Sing Man.
9. JAFCO Investments consist of four partnerships, all of which are established in Japan. A subscription agreement dated 24th October, 2000 was entered into between, amongst others, the Company and JAFCO Co. Ltd., together with applications for subscription executed by JAFCO Investments in relation to

## SHAREHOLDING STRUCTURE OF THE GROUP

subscription of an aggregate of set out therein. The Company has issued in aggregate 812,815 shares of HK\$1.00 each of the Company by the JAFCO Investments at an aggregate subscription price of US\$1 million (approximately HK\$7.8 million) (US\$1,000,000.00) representing approximately HK\$0.78 per Share immediately following the completion of the Share Offer and the Capitalisation Issue.

Set out below is a summary of the number of attributable Shares, approximate total cost of investment, approximate average cost of investment per Share, as well as the approximate percentage or attributable percentage of shareholding before and after completion of the Share Offer and the Capitalisation Issue, of the Shareholders who will be subject to lock up undertakings immediately after listing of the Shares on the GEM:

Shareholders	Number of attributable Shares immediately after completion of the Share Offer and the Capitalisation Issue	Date of becoming shareholder of the Company	Approximate total cost of investment HK\$	Approximate average cost of investment per Share HK\$	Approximate percentage or attributable percentage of shareholding before completion of the Share Offer and the Capitalisation Issue	Approximate percentage or attributable percentage of shareholding after completion of the Share Offer and the Capitalisation Issue	Period subject to lock up after Listing	Notes
Longson	36,378,847	20th January, 2000	3,600,000	0.10	10.11%	8.08%	1 year	(i)
Newtop	52,809,819	20th January, 2000	5,600,000	0.11	14.67%	11.73%	1 year	(i)
Best Summit	62,997,029	20th January, 2000	6,840,000	0.11	17.50%	14.00%	1 year	(i)
Bailey	73,846,513	20th January, 2000	8,114,609	0.11	20.51%	16.41%	1 year	(i)
Capital Speed	60,433,722	24th March, 2000	3,006,280	0.05	16.79%	13.43%	1 year	(i)
Global Vision Group Limited	4,042,094	24th March, 2000	40	n/a	1.12%	0.90%	1 year	(i) and (ii)
Golden Mate	42,326,273	14th September, 2000	5,152,010	0.12	11.76%	9.41%	1 year	(i)
Pioneer Asset	17,149,195	14th September, 2000	2,087,423	0.12	4.76%	3.81%	1 year	(i)
JAFCO Investments	10,016,508	15th November, 2000	7,800,000	0.78	2.78%	2.23%	1 year	(i)

*Notes:*

- (i) Each of the Initial Management Shareholders has undertaken to the Company, the Underwriters, the Stock Exchange that during the First Relevant Lock-up Period it/he/she will not, save as provided in Rule 13.17 of the GEM Listing Rules, dispose of (or 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 its/his/her direct or indirect interests in the Relevant Securities, and during the Second Relevant Lock-up Period, each of the Initial Management Shareholders will not, save as provided in the GEM Listing Rules, dispose of (or 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 its/his/her respective Relevant Securities such that the Initial Management Shareholders would in aggregate cease to control at least 35% of the issue share capital of the Company (subject to disposal on a pro rata basis by each of the Initial Management Shareholders of a maximum of 56.25% of the Relevant Securities held by each of them). In addition, each of the ultimate beneficial owner of Longson, Newtop, Best Summit, Bailey, Capital Speed, Golden Mate and Pioneer Asset and Global Vision Group Limited (collective "Immediate Holding Companies") gives an undertaking to the Company, the Underwriters and the Stock Exchange that it/he/she will not dispose of (or enter into any arrangement to dispose of) nor permit the registered holder thereof to dispose of (or enter into any agreement to dispose of) any of their respective direct or indirect interest in any of the Immediate Holding Companies for a period of 12 months from the Listing Date.
- (ii) The entire issued share capital of Global Vision Group Limited is wholly and beneficially owned by Mr. Robin Miles, the chief operating officer of the Company. These shares of the Company were allotted and issued to Mr. Robin Miles at the then nominal value of HK\$1.00 at that time as incentive management bonus for his working in Hong Kong as an United Kingdom expatriate and to recognise his contribution and commitment to the Company. His average cost of investment per Share is almost negligible.

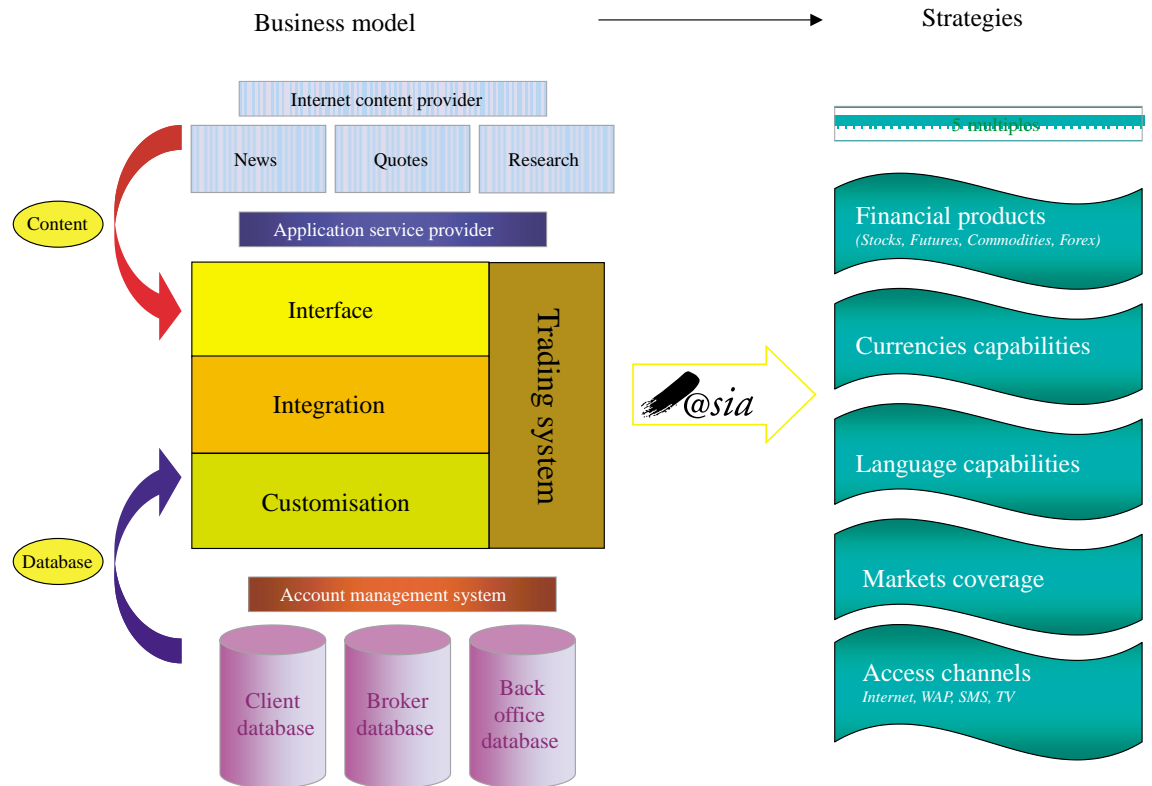
# BUSINESS

## DESCRIPTION OF BUSINESS

The Group is principally engaged in the provision of comprehensive real time online trading solutions to brokers and other financial institutions in the Pan-Asian region. The Directors believe that as the Group acts as a service bureau, brokers and other financial institutions can outsource their trading facilities, technical support, maintenance, accounting and back-office needs to the Group so that they can focus their resources on customer acquisition and retention, along with the development of other value added services. The Group aims to provide a total end-to-end solution with straight through processing of orders and trades, taking care of both the front end execution and the back office settlement sides.

## Business model

The following diagram presents the business model of the Group:

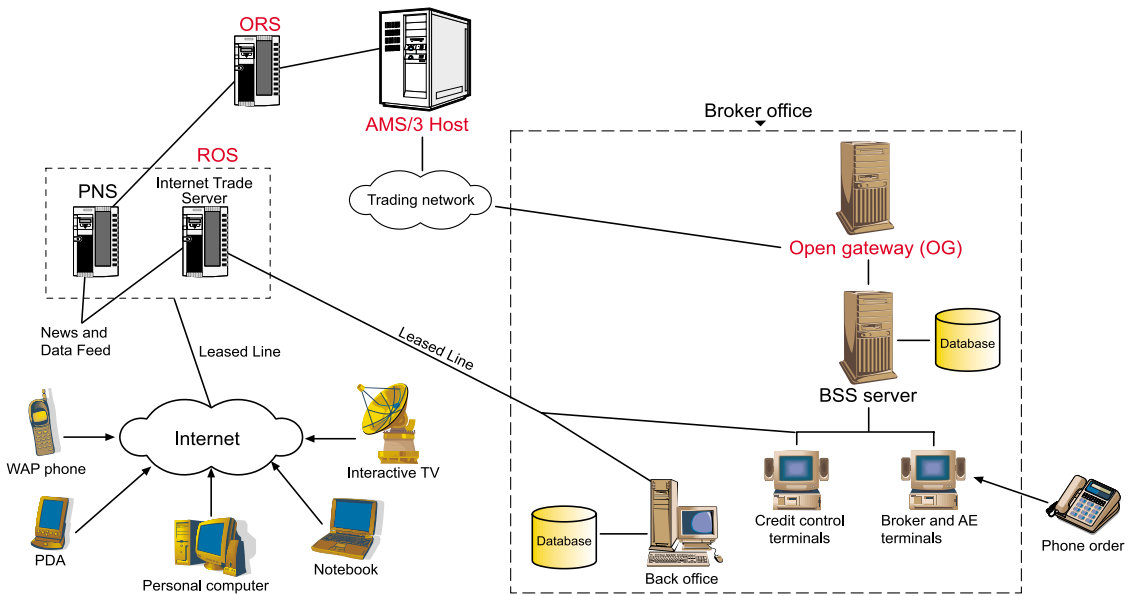


# BUSINESS

Set out below is an overview of the proposed online cross border trading network:



Set out below is an overview of the proposed AMS/3 online trading solutions for Hong Kong brokers:



## **Major products and services**

### *1. Application services provider / Front-end trading systems*

#### *Existing product*

##### a. ROS1

A real time online trading system based on a system (the “System”) developed by an independent third party who is an online trading solution provider. The system handles order execution, routing, portfolio management, price and news feeds. The system provides real time market data and trading services to the end users through their Internet browser. Capabilities of the system include processing and routing cross border trades. It can be adapted to support other mobile devices, new access channels and can be easily integrated to third party sub-systems such as back-office system.

##### b. ROS4

Developed by the Group, ROS4 comes with a comprehensive range of trading functions, which includes features that are tailor-made to Hong Kong and other Asian markets. The system will support the ‘five multiples’ (multiple markets, currencies, access, languages, instruments) and offer a fully integrated trading environment to brokers including online front-end trading system (i.e. PNS), traditional dealing room (i.e. BSS), market data and analysis tools (i.e. Market data terminal), confirmation and alert system, risk management and interface to the brokers’ back-office system. The system is fully customised to the Asian region and contains unique localisation features (e.g. market depth, broker queues, market trade tickers). ROS4 was completed in March 2001.

##### c. Proprietary network system (“PNS”) solution

The Group has developed a PNS connecting to the ORS in AMS/3 of the Stock Exchange, which was launched in February 2001. The PNS solution provides brokers multi-media access channels, including the Internet, WAP, mobile personal data assistant and interactive voice response system. The Directors believe that the system is particularly useful for those smaller brokers with only one single seat in the Stock Exchange and those who have chosen to use the multi-workstation system solution developed by the Stock Exchange. With PNS, these brokers are able to offer online trading services employing multi-media access channels, enabling them to maintain their market competitiveness after the launch of the AMS/3. The PNS can be linked with the broker supplied system, the online trading system and the back office system offered by the Group; thus providing a totally integrated trading solution to different brokerage houses.

##### d. Broker supplied system (“BSS”) solution

The BSS supplied by the Group provides an integrated trading solution to brokers. It provides both in-house trading facilities and multi-media access channels for trading activities including order placing, order enquiry, trade confirmation alert, trade enquiry, price quote data, risk management, portfolio management, analysis tools, market news and research, price alert etc. The Group’s BSS connects to the open gateway of AMS/3, the back office system and the Group’s online trading server. The BSS connects to the open gateway of

AMS/3 for instant processing of all the in-house trading activities to the Stock Exchange. It connects to the back office system for providing manual free real time position keeping and risk management. Through the connection to the online trading server, the integrated system provides real time trading solution to the brokers with both online and traditional trading facilities. BSS was launched in March 2001.

*Products currently under development*

e. ROS2

It is a trading system which is also known as INTS and was developed by CSP, a software specialist for the company registry, market surveillance, order management, institutional and exchange system. The system was developed in the Philippines as the front-end and information system for members of the Philippines Stock Exchange. The Directors believe that the system is being developed as a low-cost, adaptable solution which provides a simple operational user-interface for deployment in the brokers' office. INTS is capable of providing the ability for each broker to have its own customised site, while using a standardized processing functionality. The system will allow orders entered thereto to be monitored and acted upon by brokers. Features of the system also include, watch lists, charting, order management, credit controls, position monitoring and back-office integration interface. The Directors are of the view that the solution will be targeted towards small sized brokers seeking a low-cost solution.

f. ROS3

An online trading system based on "IST" which was developed in Singapore by Ebiz Solutions. The system offers real time information feed from various data sources and includes order processing and management, risk management, straight through order processing, quotes and alerts facilities. Other features of the system include user-customised market watch lists, portfolio management, integrated market news, charting, and the "central buyer concept" of order management and settlement particularly applicable to cross border trading for medium to large sized brokers.

2. *Account management system / Back-office system*

a. JS Cresvale trading & accounting system ("CTAS")

CTAS is a back-office system developed and used by JS Cresvale, an international financial service company. The Group intends to further develop the product to include additional features which are unique to Hong Kong and other Asian markets. CTAS will interface with all Internet trading systems supplied by the Group to provide a fully integrated, single solution to brokers. The CTAS system can handle trading procedures, clearing, settlement and accounting. It adopts a two-tier, client-server architecture and allows clients' workstations at multiple broker branches to access the central database servers. It intends to offer a flexible and scalable back-office solution for the medium to large scale brokers.

b. A-STAR™

A-STAR™ is a real time online back-office system developed by NRIHK, specifically designed for the Asian financial markets. This back-office system handles accounting and all standard back-office needs with user-friendly interface. The system is designed for the

global financial business and can interface with the Group's online trading system to provide manual free real time position keeping and risk management for the brokers. It can interface with various exchanges, clearing houses, and other systems including the Stock Exchange, CCASS, SWIFT, and Reuters. The Directors believe that A-STAR™ is suited for the small to medium sized broker.

### 3. *Data content*

#### a. Market data terminal – pricing terminal

This is developed by the Group for the provision of price feeds terminal for both brokers and end users. Features such as analysis, charting, market quotes, broker queues, market news, research, commentary and other information can be presented. The product is developed to cope with the needs of brokers and financial institutions to provide comprehensive information from various sources and markets for users.

#### b. *iasiamoney2u.com*

Jointly developed with Raylam, a Hong Kong based stock price feeds provider, the contents of *iasiamoney2u.com* include information on stocks that are listed on the stock exchanges in Hong Kong, the United States and the United Kingdom, price feeds for foreign currency exchange, global indices, bonds, futures, metals, oil and other financial instruments. It also contains up to date global capital and commodity markets commentaries. The Group and Raylam have jointly launched a WAP service with Hutchison Telecom on its mobile network.

#### c. Distribution of contents

Apart from software development and the ASP businesses, the Group also engages in the distribution of data contents. It has entered into agreements with several international news agencies, such as Reuters and AFX-Asia to provide news, market data, charts, etc. to the Group's clients. Apart from the traditional distribution channels and the Internet, the Group also engages in the distribution of data contents and market data via the WAP phones. This distribution channel is established via its co-operation agreement with Raylam.

### 4. *Other products*

#### *Existing products*

#### a. Odd-lot trading system

The Group has developed an online odd-lot trading system for "i-stock.com.hk" for one of its clients, Get Nice. The Directors believe that it is the first online odd-lot trading system introduced in Hong Kong. In addition to the normal online trading, the Directors consider that this system allows Get Nice to offer a unique online trading service to customers. Under this odd-lot trading systems, orders from different investors are accumulated into board lot sizes and execution will take place at market price when a full lot size is reached. This approach lowers the entry barrier for those investors with limited funds and encourages more frequent trading since it involves lower financial risk. This service enables Get Nice to attract new investors to register for a trading account, particularly from the younger age bracket.

## BUSINESS

### b. Online trading game

An online trading game has been developed by the Group for “utrade.com.hk” of TradingGuru. The game was launched with “hkatv.com” on 27th September, 2000. It provides online trading features that simulates execution of orders on real exchange. The trading game has attracted over a thousand of registered users since its launch. The game enables the players to experience online trading in a virtual, risk-free, but realistic environment using the same interface as real trading service offered by the broker. The Directors believe that this game raises users’ interest and even increases their trading frequency once they become customers of the broker firm.

### *Products currently under development*

### c. WAP trading

The Group has developed a WAP trading interface with the provision of real time live market price data. The WAP trading platform provides the same features as provided by the Group’s online Internet trading platform including live data quotes and market news, order placing, order and trade enquiries, portfolio enquiry, trade confirmation and price alert. The WAP trading platform enables the broker firms to offer the entire trading platform under a mobile environment.

### d. Cross border trading order routing gateway

The gateway is a component in the Group’s trading system to facilitate the brokers in providing order routing functionality of cross border trading to their clients. It connects systems in multiple places together. It collects orders and then routes them to points of execution in multiple markets, such as exchanges, other parts of the brokers’ businesses or other trading systems. The gateway is capable of interface to a third party’s trading system through open protocols or proprietary protocols.

### e. Mobile financial personal data assistant

The Group has entered into a letter of intent with one of the leading PDA manufacturers in Hong Kong to integrate the mobile financial information and trading system into their products. It targets to provide a comprehensive and secured mobile trading platform on the PDA. It will provide live data with comprehensive charting analysis, portfolio management, trade confirmation and price alert, and all kinds of order and trade processing and enquiry. This will offer an alternate way of trading for busy investors whom are constantly on the move.

## REVENUE MODEL

### ASP business

The core ASP revenue model is based on charging an initial hook up fee or connection fee, messaging fee (transaction fee), system customisation fee and a semi-annual or annual data management fee. This core ASP revenue model targets at brokers who prefer a low initial capital investment. The Directors consider that this revenue model provides a long term revenue stream to the Group.

### *System customisation fee*

Clients joining the Group's service bureau will receive the standard trading solutions. However, some clients are positioned in a unique market position and may require some specific features in their trading solutions. The Group therefore offers services to customize and develop features to meet these clients' specific needs.

The Group will charge its customers for services provided either on a per project basis or on a time and material basis. In both cases, a set of standard hourly rates will be used, combined with an estimate of how much time a project will require from each IT staff. Standard hourly rates are based on the level of experience of staff, their salaries and market prices.

### *Hook up fee*

The broker will pay to the Group an initial hook up fee or connection fee. For certain markets, this initial fee may be payable by instalments. For example, the first instalment is payable upon signing of agreement, the second upon completion of setup services (referring to completion of reasonable set up of the system as defined in the corresponding agreement) and the balance upon completion of system acceptance test (referring to completion of system trial run to ensure the result complies with the specifications of the system, as defined in the corresponding agreement).

### *Messaging fee*

The broker will pay to the Group messaging fee for every successful transaction via the service bureau on a monthly basis. This messaging fee is calculated on the basis of transaction volume on a sliding scale structure. For the Hong Kong market, this fee is a fixed fee on a per transaction basis whereas for the majority of overseas markets, such fee is calculated based on a percentage of the brokerage commission.

### *Cross border trading fee*

Through the Group's presence in the Pan-Asian network, the Group's brokerage clients can simultaneously be attached to a network where they can trade other countries' stocks. The Group will charge these brokers a competitive per-transaction fee. At Phase III of the Business Plan, details of which are set out in the subsection headed "Business Plan" under the section headed "Business Objectives", the Group will form strategic alliances with different online brokerage houses in the North America and Europe, so that the Group's end-users may trade securities anytime at anywhere via various access channels.

### *Data management fee*

A semi-annual or annual data management fee is charged to clients using the Group's trading systems on a per end-user basis, for data hosting, system maintenance, program bug fixes and system upgrades for modifications of the trading system required as a result of operational changes and changes in relevant legislation and regulations.

## BUSINESS

### *Sale of trading and back office systems*

In order to diversify the Group's customer base and meet different needs of different customers, the Group intends to introduce further pricing policies to the market. These include one-off sale of trading and/or back office systems to customers who wish to own their own systems. These one-off sale of systems will boost the Group's revenue, on top of the core ASP business. The Group has commenced the sale of back office system in the Hong Kong market in June 2000.

### *Maintenance fee*

For those clients purchasing their own trading and/or back office systems, the Group will offer them after sales service. These include annual maintenance, system updates, customer service help desk. The Group will charge these clients a fixed semi-annual or annual fee for the provision of the above services.

### **Content management and subscription fee**

The Group provides an online trading platform and WAP services which has established an efficient interface to distribute news, stock market data, chart and technical analysis. Various content providers have negotiated with the Group for co-branded selling and distribution of their proprietary content. In the long run, the Directors believe that the Group will be able to act as a hub for regional financial information exchange.

The Group receives from end-users a subscription fee on accessing the market data and financial information. For brokers requesting the Group to integrate other information in their trading interfaces, the Group will charge a setup fee and/or content management fee depending on the cooperation model with the broker. In addition, some content providers cooperate with the Group to market their products through the Group's network, and the Group will be entitled to a commission based revenue.

### **SALES AND MARKETING**

It is the Group's intention and policy to set up joint ventures with local strategic partners at each of the countries where it intends to operate. These local joint ventures are self-running companies, and shall design and implement their own sales and marketing strategies, tailor made to the cultures and characteristics of each market. These local market insights may allow the Group to allocate its sales and marketing resources in a most efficient manner, reaching a large number of audience and creating the Group's brand awareness.

To date, the Group's sales and marketing team has performed several substantial marketing events. These events include professional seminars and speeches on Internet trading, as well as publicity activities in gaining brand awareness and in strengthening the Group's leadership position. The Directors consider that media coverage and response towards these events were favorable.

### **SUPPORT AND AFTER SALES SERVICES**

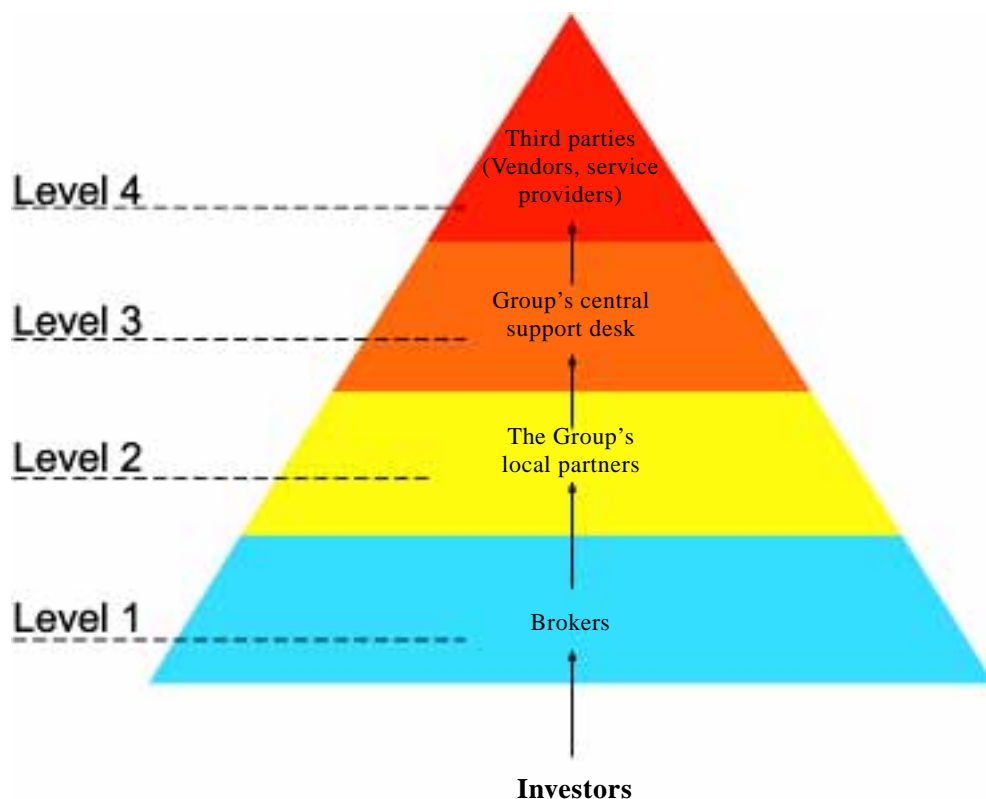
The Group's support and after sales services are responsible for the management and the control of users information, requests and problems. The support infrastructure provides a local point of access for all customers, and routes calls to the most appropriate support group.

## BUSINESS

The maintenance fee and data management fee charged to brokers will cover the general support and after sale services provided by the Group and will include the free use of the Group's help desk. Additional support services will also be provided at additional charges.

The Company is in the process of establishing support procedures both in Hong Kong and overseas. The Directors expect such support be in place when the Company establishes its presence in each of the countries it intends to operate.

The following diagram illustrates the workflow of the Group's proposed support to its customers for online trading system:



### Support procedure

The Group provides procedures to allow a customer's own staff to handle the most common user problems and queries. Where these procedures fail to resolve the user issue it will pass to the local support desks of the Group.

Each local support desk has special local knowledge including local language capabilities. They log all requests into the call-logging system, and perform initial analysis of the problem. For common system problems and user errors, the local support desk has procedures to assist the customers' staff to a resolution. Otherwise, they can allocate the call to various action groups:

- local network or system engineers
- local external service providers
- the central support desk in Hong Kong

## BUSINESS

The central support desk has access to more detailed diagnostics procedures and the most current documentation. Any problems found to be software related are referred to the Group's technical support team, or to a third party software supplier. The central support desk also has access to the regional support services of hardware vendors and service providers for escalation of serious faults.

### **Backup and resilience plan**

The Group provides three levels of resilience:

1. Single-fault tolerance – covered by high-availability configurations with automatic fail-over.
2. Recovery from data loss or corruption – covered by mirrored storage and backups.
3. Disaster recovery – when an entire facility becomes unusable. The service is partially or fully restored from another location within some specified timescale by restoring offsite data backups onto spare hardware.

Levels 1 and 2 are provided to customers without additional charges. All trading systems are built for high availability in a variety of configurations depending on the customers' business volumes (level 1 resilience). Data without which the trading system cannot function is duplicated online by maintaining back-up copies on separate physical storage devices (levels 1 and 2). Less critical data is backed-up nightly (level 2), and the backup media held offsite (level 3).

Full level 3 resilience ("Business Continuity") can be provided at the customer's option for an additional charge; specific arrangements depend on the services available at local data-centres; in the worst case the customer's service can be transferred to one of the Group's other regional data-centres and delivered remotely until local facilities are re-instated.

### **SECURITY**

The Directors take a comprehensive view of information security. The Group's security policies cover:

#### **1. Network and system intrusion, and denial-of-service attacks**

The Group's network defences are based on "firewall" systems. The firewall systems control and monitor network traffic across significant boundaries; most notably between the Group's network and the Internet, but also between the Group and other kinds of external connection, such as links to customers and market data providers. In this way, it protects itself and its customers from intrusion from public networks, and maintains the necessary separation between different customers. The Group also monitors security bulletin services for the latest security alerts, and will cooperate with ISP's and the Internet authorities in maintaining measures against new and existing threats such as denial-of-service and flooding.

#### **2. Data confidentiality (corporate and personal)**

Data in transit outside the secured network of the Group is protected by encryption. Connections from end-user workstations to the trading applications are end-to-end encrypted with high-grade ciphers (using 1024-bit or larger session keys). Encrypted links are established

by using a process that avoids the need to send authentication information over the network in any form (i.e. key exchange using a zero knowledge process). Private intersite network traffic is also encrypted with a conventional system (128 bit secure socket layer protocol (SSL), with digital signature algorithm (DSA) key exchange) and creating a virtual private network (VPN).

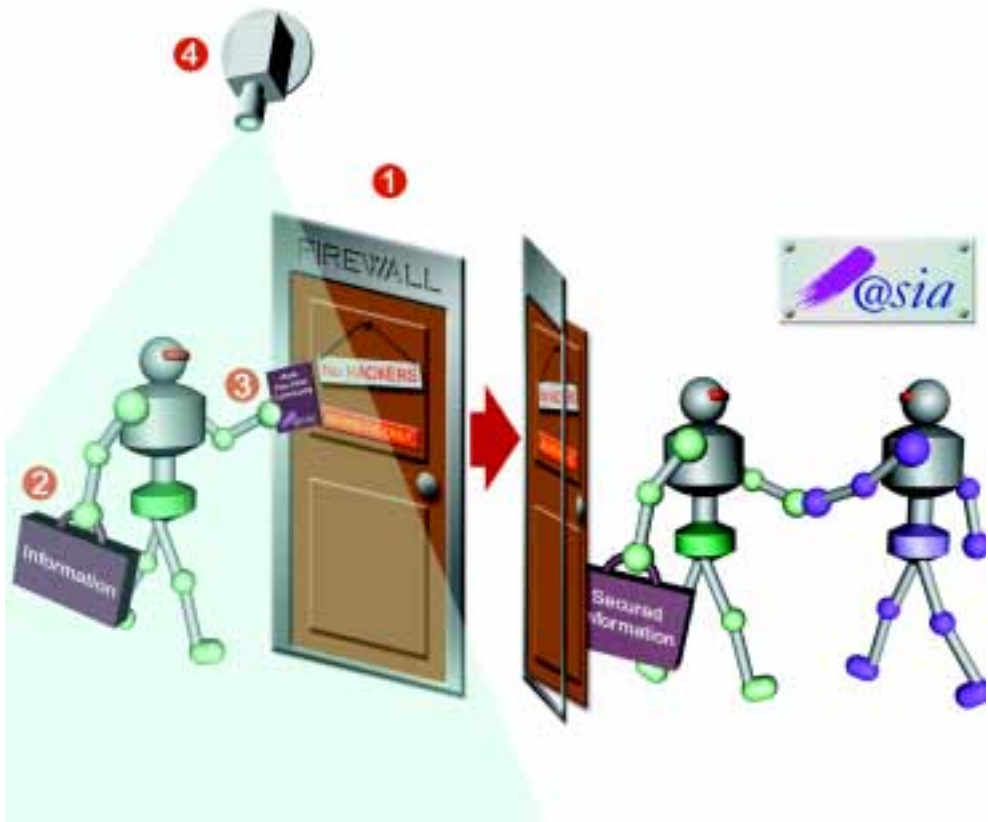
**3. User authentication**

Trading users are authenticated before access to any trading service. The authentication technique avoids sending passwords over the network (ie. zero-knowledge mechanism).

**4. Malicious software, and abuse of messaging systems**

Virus-detection software has been deployed on all the Group’s workstations, but to further limit the impact of malicious software, the Group avoids the use of vulnerable products. In particular, the Group does not install any software components that enable auto-execute scripts in mail messages. The Group also plays its part in fight against “spam” (or unsolicited bulk e-mails) by operating a strict anti-relay policy on its mail gateways.

The following diagram demonstrates the security system of the Group:



## **RESEARCH AND DEVELOPMENT**

The Group has been allocating resources to the research of new technologies and development of new products. The strengths of the technical team include expertise in information technology and financial industries. It includes specialists with experience across a broad range of fields including online and brokerage trading systems, financial applications, web technologies, WAP technologies, Internet security and network infrastructure. The research and development team continues to develop and enhance the online trading products, back office systems and other related sub-systems thus creating unique, advanced and integrated systems for Pan-Asian implementation to the Group's customers.

The Group operates a development centre in Hong Kong and is currently setting up a development centre in the Philippines.

At the headquarters of the Group in Hong Kong, where the Group's solutions for secured online trading are researched. Development in Hong Kong is focussed on the analysis of specialised customer requirements and maintaining compatibility with fast-moving Internet standards.

At the new development centre which is to be set up in Manila of the Philippines, the new development center is expected to develop and maintain softwares which deliver the core functionality of the online trading system. It is also expected that the Manila team will provide the backbone of the development effort, producing robust and efficient code to the specifications of the Hong Kong system design team.

An essential part of the research team will be the support staff at each local centre. They will be responsible for alerting the Hong Kong development team to any technical features and forthcoming issues in the local regulatory environment. The other mission of these development centres is to help the research team in product development. The Group is also seeking opportunity to set up another development centre in the PRC.

## **INTELLECTUAL PROPERTY**

The Group uses various trademarks and domain names, details of which are referred to in paragraph headed "Intellectual property" in Appendix IV to this prospectus. As at the Latest Practical Date, the Group has applied for the registration of the trademarks it uses but the registration has not yet been approved.

## **STRATEGIC PARTNERS**

Set forth below are the existing or proposed strategic partners of the Group as at the Latest Practicable Date.

### *Existing strategic partners*

#### **First International Telecom Corporation ("Fitel")**

The Group's Taiwanese local partner, Fitel, was founded in April 1997 by a group of Taiwan's conglomerates including First International Computer, Inc..

## BUSINESS

In December 1997, Fitel launched its paging service after it had been granted an island-wide paging licence. Its outstanding performance in the telecommunication services was accredited with ISO9002 in January 1999, the same year when it obtained the licence to run VSAT (Very Small Aperture Terminal). According to Fitel, it plans to continue to enhance its telecommunication services and strategically diversify into other related businesses, including Financial PDA (Personal Digital Assistant) service and VoIP traffic exchange service business in Hong Kong to accommodate future flux in international traffic.

In February 2000, the company was awarded the licence to operate PHS business. It then launched a satellite frame relay service in April 2000. The company will pursue its commitment in the provision of high quality data and voice transmission and will be launching “SegaNet” financial service, the next generation of Financial PDA and wireless internet portal service.

### **SunPage (Mauritius) Limited (“SunPage”)**

The holding companies of SunPage are STT Communications Ltd (formerly known as STT Communications Pte Ltd) (“STT”) and Temasek Holdings (Private) Limited (“Temasek”). The intermediate holding company of SunPage is Singapore Technologies Pte Ltd (“Singapore Technologies”). These companies (except SunPage) are incorporated in the Republic of Singapore. Given the expertise in sales/marketing activities of SunPage, the Directors believe it will certainly benefit the Group’s expansion plan in Singapore and other regions.

### **Qyxx Holdings Limited (“QYXX”)**

The Group’s Thai partner, Qyxx Holdings Limited, is a Thai company which operates as part of an Asian service bureau network that delivers comprehensive financial services to online brokerages throughout the Asian region.

QYXX in cooperation with the Group will provide real time online trading solutions to financial institutions throughout Thailand.

### **Internet Ventures Incorporated (“iVentures”)**

Internet Ventures Incorporated was established in the Philippines on 21st March, 2000. iVentures is currently acting as the local service bureau linking its network in the Philippines to the Group’s regional network. The Group’s Pan Asian region coverage will increase iVenture’s market share in the region and hence enabling potential end-users to have direct access to online trading services.

The Directors believe that through iVentures’ network and connections in the Philippines, as well as its expertise, iVenture will certainly assist the Group to achieve its ultimate goal, becoming the leader in the cross border securities trading arena.

## BUSINESS

### *Proposed strategic partner*

#### **ViewTrade Securities Inc. (“ViewTrade”)**

ViewTrade, the Group’s cross border trading partner, based in the US and has its headquarter in New York. ViewTrade was set up in 1998 and it will offer the Group the capability to bundle execution services in the U.S. markets.

ViewTrade serves as an electronic hub, providing access to the global financial markets for real time order execution and settlement. It has developed an online trading and routing platform that not only servicing its own needs, but may also be privately labeled for other financial institutions to offer online trading services to their clients.

ViewTrade offers electronic execution services for stocks on the major exchanges in the United States and Europe. It continues to expand its network in Europe, Asia and the US.

The Group’s collaboration with ViewTrade enables the Group to offer clients the ability to electronically route, execute and clear trades in the United States and European markets, as a “one-stop shop” with settlement by a bank with global presence.

#### **TECHNOLOGY PARTNERS**

Set forth below are the existing or proposed technology partners of the Group as at the Latest Practicable Date.

##### *Existing technology partners*

#### **Computershare Systems Phils., Inc. (“CSP”)**

CSP is a wholly-owned subsidiary of Computershare Limited (“Computershare”) which was established in Australia in 1978 and its stocks are listed on stock exchanges in both Australia and New Zealand stock exchange. Its main businesses include the provision of securities registration services, and exchanges and broker systems.

Computershare is a global registry and technology organisation, managing over 52 million shareholders worldwide and providing technology products and services to the securities industry in more than 15 countries.

Computershare’s exchange and broker software products include: (i) ASTS – a high and flexible fault tolerant securities trading system that integrates and automates full multi-currency securities trading life cycle; (ii) SUMMIT – a broker client accounting system that facilitates efficient straight through processing via integrating traditional front, middle and back office functions; (iii) ORMS – an exceptional global order routing management system that simultaneously routes orders to trading environments or points of execution in multiple markets; (iv) SMARTS – a surveillance system designed for exchanges and regulators, effectively detects adverse market behaviour; and (v) INTS – an online trading system developed for the Philippines broker market.

Computershare supplies and sells systems to many brokers around the world. Its systems are compatible with many of the world’s stock exchanges including Moscow, Istanbul, Budapest, Oslo, New Zealand, Shanghai, Jakarta & Surabaya, Cyprus and Helsinki.

**Nomura Research Institute Hong Kong Limited (“NRIHK”)**

Nomura Research Institute, Limited (“NRI”) was founded in Japan in 1965 and has been developing solutions based on three primary approaches, being research and consulting, knowledge solutions and system solutions. It is currently one of the largest research and software companies in Japan and has over 15 offices and group companies around the world and think tank networks with local specialists in North America, Europe and Asia.

Nomura Research Institute Hong Kong Limited (“NRIHK”) was established in Hong Kong in 1977. Since 1995, it has become the headquarters of the Asia division of NRI. The Asia Division possesses financial expertise in the Asia Pacific region with accumulated know-how in research, consulting and information systems to develop innovative business and IT solutions for a wide range of industries, including banking, brokerage, insurance and retail/distribution.

**Ebiz Solutions Pte Ltd. (“Ebiz Solutions”)**

Ebiz Solutions provides a vast array of ecommerce solutions that enable its clients which include multi-international financial institutions for the delivery of real time trading and access to information. The e-innovative system offered by Ebiz Solutions is designed to interface with a variety of access channels, including voice recognition, PDA and Web TV. It is also designed to work on levels that embody the multi-lingual, multi-financial instrument, multi-exchange, multi-currency, multi-channel e-banking and e-trading capabilities. The full suite of products covers retail banking, brokering, currency trading, development of virtual communities or portals, real time auction with matching, mobile alerts and pro-active relationship management.

*Proposed technology partners*

**Sun Microsystems of California Limited (“Sun”)**

Sun is subsidiary of Sun Microsystems Inc.. Since the inception of Sun Microsystems Inc., in 1982, a singular vision of “The Network Is The Computer<sup>TM</sup>” has propelled Sun Microsystems Inc. to its position as a leading provider of industrial-strength hardware, software and services that power the Internet and allow companies worldwide to dot-com their businesses. With \$17.6 billion in annual revenues, Sun can be found in more than 170 countries and on the World Wide Web at <http://www.sun.com>.

Sun’s emphasis on forging relationships with strategic partners has been well demonstrated through the initiation of iForce community. In keeping with the state-of-the-art technology, the Group has purchased from Sun its server products.

**JS Cresvale International Limited (“JS Cresvale”)**

Founded in November 1999, JS Cresvale is a wholly owned financial services company of Jih Sun Co., Ltd, (“Jih Sun”) which was founded in Taiwan in 1961. Jih Sun provides a full range of investment banking and brokerage services and is the second largest brokers in Taiwan ranked by its share of the turnover of the stock market in Taiwan.

JS Cresvale offers a wide range of financial services including equity sales, asset management, research and investment banking services to institutional investors and corporations around the world. In particular, the company’s research focuses mainly on fundamental analysis of the technology and telecom sector backed by industry specialists in Silicon Valley, the United States and Asia.

## **CONTENT PARTNERS**

Set forth below are the existing or proposed content partners of the Group as at the Latest Practicable Date.

### *Existing content partners*

#### **AFX-Asia Pte Ltd. (“AFX-Asia”)**

AFX-Asia, founded in 1990, is a joint-venture of Agence France-Presses and Financial Times Ltd. that originates professional business and financial news services. These international news agencies provide real time news of up to 4,000 corporate, financial and market news in 6 languages delivered to clients daily through a global communications network.

AFX-Asia, the Asia office of the United Kingdom based news agency, positions itself as one of the major content providers for news media, the Internet and financial institutions.

#### **Reuters Hong Kong Limited (“Reuters”)**

Reuters is a subsidiary of Reuters Group plc which is listed on the London Stock Exchange and NASDAQ. Its premier position as a global information, news and technology group is founded on its reputation for speed, accuracy, integrity and impartiality combined with continuous technological innovation. Reuters’ strength is based on its unique ability to offer customers around the world a combination of content, technology and connectivity. Reuters makes extensive use of internet technologies for a wide distribution of information and news.

Reuters supplies the global financial markets and the news media with a wide range of information and news products. These consist of real time financial data, collective investment data, numerical, textual, historical and graphical databases plus news, graphics, news video, and news pictures.

#### **Raylam & Co. Holdings Ltd. (“Raylam”)**

Raylam was formed in Hong Kong during January 1998 and is managed by well-experienced professionals from various fields covering bank treasury, brokerage and information technology industry.

In 1999, Raylam introduced “Mini 3000” financial pagers targeted to professional users. This financial pager provides information including global financial markets information and market data from a number of stock exchanges.

In September 2000, Raylam together with the Group commenced working with Hutchison Telecom and launched “iasiamoney2u.com” financial services to the public. The WAP site provides a comprehensive range of real time financial data via different access channels.

*Proposed content partners*

**Asia Strategic Inc. (“ASI”)**

ASI, incorporated in the British Virgin Islands and headquartered in Hong Kong, is a financial content provider furnishing technical and fundamental equity research to market professionals – proprietary traders, hedge funds, local brokers and financial portals. Their analysis covers about 250 of the most popular stocks listed in Hong Kong. It also provides research recommendations, technical and analytical data, together with summaries of market tips.

On the other hand, Typhoon Eight, the research house operated by ASI, was established in Hong Kong during August 1999 and is registered with the SFC as an investment adviser in Hong Kong accredited to give investment advice.

**MAJOR SUPPLIERS**

The Group’s suppliers for the period from the date of incorporation to 30th September, 2000 mainly comprised technology partners, who provide services on the development of the system software, and hardware providers who supply computer hardware and equipment to the Group for the set up of the Hong Kong office and online trading platform for the Hong Kong market. Such expenditures are of a capital nature. For the period from the date of inception to 30th September, 2000, there were a total of seven suppliers with the five largest suppliers and the largest supplier accounted for about 97% and 40% of total purchases for the period respectively.

For the four month period ended 31st January, 2001, there were a total of twelve major suppliers with the five largest suppliers and the largest supplier accounted for about 86% and 27% of total purchases for the period respectively.

None of the Directors, nor any shareholder of the Company who will be interested in more than 5% of the issued share capital of the Company immediately after the Share Offer and the Capitalisation Issue without taking into account the exercise of the Over-allotment Option and Shares which may be taken its pursuant to the Share Offer nor any of their respective associates have any interest in any of the above suppliers during the period from the date of incorporation to 30th September, 2000 and the four month period ended 31st January, 2001.

**MAJOR CUSTOMERS**

During the period from the date of incorporation to 30th September, 2000. The Company’s turnover amounted to approximately HK\$4.15 million, mainly comprised approximately HK\$3.50 million for system customisation services rendered by the Group, approximately HK\$0.27 million hook up fees and messaging fees from ASP online trading transactions and approximately HK\$0.38 million from sale of back office systems. The Directors believe that the low level of online trading solution revenue was mainly due to the low volume of online stock transactions during the period as AMS/3 had not yet been launched on the Hong Kong stock market before 30th September, 2000. In addition, for certain early signed up brokers, the hook up fees were waived by the Group. There were a total of six customers for the period from the date of incorporation to 30th September, 2000 with the five largest customers accounted for about 99% of the Group’s total turnover of which 48% was from the largest customer.

## BUSINESS

For the four month period ended 31st January, 2001, the Group's turnover amounted to approximately HK\$0.15 million, mainly comprised of approximately HK\$0.11 million hook up fees and messaging fees from ASP online trading transactions, approximately HK\$0.04 million from sale of back office systems and resell of content. During this period, there were a total of eight customers with the five largest and largest customers accounted for about 84% and 20% of the Group's total turnover, respectively.

None of the Directors, nor any shareholder of the Company who will be interested in more than 5% of the issued share capital of the Company immediately following completion of the Share Offer and the Capitalisation Issue without taking into account the exercise of the Over-allotment Option and Shares which may be taken up pursuant to the Share Offer, nor any of their respective associates have any interest in any of the Group's five largest customers during the period from the date of inception to 30th September, 2000 and the four month period ended 31st January, 2001.

### COMPETITION

In respect of the online trading software application market in Asia, the Group faces competition principally from various application service providers in Hong Kong and other Asian countries. Given that online trading in Asia is still in an early stage of development, and online trading software application is subject to rapid technological change, the Directors anticipate that competition throughout the region will be intense.

The Directors consider that the competitive edges of the Group are as follows:

- **Strong management** – The management of the Group includes expertise across broad areas. It includes specialists in the fields of trading, telecommunications, web design, WAP system, network architecture, back-office, Internet security, business development and corporate finance, with backgrounds in international financial institutions as well as extensive local knowledge in Asia, particularly the Hong Kong stock market;
- **Strategic collaboration with local partners to create synergy** – It helps developing products to cope with specific requirements in different markets. In addition, the Group is able to leverage on some of its local partners' established presence to gain quick recognition in the respective markets;
- **Sound technical specialists and well-known technology partners** – The technical team of the Group comprises industry experts in online securities trading development, together with specialists from the IT industry. Lining up with well-known technology partners, the Directors believe that the Group is well equipped to develop efficient, secured and reliable software application for online trading system;
- **Advantage of being a pioneer with respect to cross border online trading solution** – The Group is one of the pioneers in the development and provision of online trading solutions in the Pan-Asian region. As such, the Group is well positioned to tap on the evolving financial markets in the Pan-Asian region; and

## BUSINESS

- **Focus on the financial markets but provide comprehensive range of products –**  
The Group has been concentrating on developing online trading solutions to brokers and financial institutions utilising its management and expertise in the fields of IT and finance. The Group has been emphasising on developing online trading solutions for a comprehensive range of financial products via different access channels, so as to enhance the value of its cross border trading solutions. The Directors believe that its focus on the financial markets and its vision on product development would allow the Group to understand and match the demand and needs of the market, thereby positioning itself as one of the leading online trading solutions providers in the Pan-Asian region.

### COMPETING INTERESTS

Each of the Directors and the Initial Management Shareholders has confirmed that, as at the Latest Practicable Date, none of them had any business or interest in companies that competes or may compete with the business of the Group as described of this prospectus.

### CONNECTED TRANSACTIONS

On 1 June, 2000, the Company entered into a trademark licensing agreement with iAsiacar.com Limited (“iAsiacar.com”), a company in which Mr. Cheng and Mr. Ko are interested in, for the granting of a non-exclusive licence to use the trademark (as defined therein) by the Company to iAsiacar.com for an initial term of 5 years at a consideration of HK\$1. To reflect the background of some common shareholders of the Company and iAsiacar.com, iAsiacar.com has used and wishes to continue to use the trademark used by the Company. At the request of iAsiacar.com, the Company has entered into the trademark licensing agreement with iAsiacar.com.

iAsiacar.com Limited is an Internet content provider who principally engaged in the provision of automobile related information including second hand car market information traffic reports and insurance information. Set out below is the trademark granted to iAsiacar.com Limited:-



On 1 June, 2000, the Company entered into a trademark licensing agreement with isinolaw Limited (“isinolaw”), a company in which Mr. Cheng, Dr. Ho and Dr. Lee are indirectly interested in, for the granting of a non-exclusive licence to use the trademark (as defined therein) by the Company to isinolaw for an initial term of 5 years at a consideration of HK\$1. To reflect the background of some common shareholders of the Company and isinolaw, isinolaw has used and wishes to continue to use the trademark used by the Company. At the request of isinolaw, the Company has entered into the trademark licensing agreement with isinolaw.

isinolaw Limited is an Internet content provider who provides comprehensive, authoritative and up-to-date English/Chinese version of China law for its website’s subscribers. Furthermore, other business activities include online bookstore, seminars/conferences and online legal courses. Set out below is the trademark granted to isinolaw Limited:-



## **BUSINESS**

The above transactions fall within the de minimis rule pursuant to Rule 20.25(3) of the GEM Listing Rules. Accordingly, upon the listing of the Shares on the GEM, the two trademark licensing agreements will not be subject to announcement or shareholders' approval requirements.

Apart from the aforesaid, as at the Latest Practicable Date, the Group had not entered into, and the Directors currently do not anticipate that there will be, any transactions which constitute connected transactions for the Company under the GEM Listing Rules immediately upon the listing of the Shares on GEM.

## **BUSINESS OBJECTIVES**

### **BUSINESS OBJECTIVES**

Since the Group is one of the pioneers involved in the provision of Pan-Asia cross border securities trading software application service, the business objective of the Group is to dominate the cross border securities trading arena and to become the leader of the market.

#### **Market potential and business opportunity**

The Directors are of the view that investors may benefit from online trading. According to IDC, 40% of all trades in the APEJ will be conducted online by 2004. In addition, the number of online investors in APEJ trading through the Internet will increase at a compound average growth rate of 50%. As such, the Directors believe that the growing popularity of online trading will bring in more opportunities for the Group to provide online trading solutions to brokers.

In order to be able to process such a high volume of transactions, online brokers may need to invest in their infrastructures to enhance their capacities. Given the huge amount of capital investment that may be needed in developing online securities trading system, the Directors believe that small to medium sized brokers may not be able to afford such level of capital investment.

The Directors envisage that there are business opportunities to provide online trading solutions to brokers and other financial institutions who wish to outsource their trading facilities, technical support, maintenance, accounting and back-office needs, thereby enabling clients to save a portion of capital investment in developing their own online trading system by tapping on the Group's benefits from economies of scale.

#### **Business strategies**

In order to seize this golden business opportunity, the Directors have set the following strategies for the Group to capitalise on the enormous market potential of online trading opportunities throughout Asia:

- establish the Group as a one-stop shop for the provision of cross border online trading solutions;
- provide efficient, secured and reliable online trading solutions for brokers from different countries to conduct round-the-clock online trading, featuring the “five multiples”, being multiple financial products (such as stocks, futures, commodities and foreign currency exchange), multiple currencies capabilities, multiple language capabilities, multiple market coverage and multiple access channels (such as Internet, WAP, short message system and interactive television);
- help clients to offer investors real time online cross border connections to a Pan-Asian network of established broker partners in offshore markets and exchanges, thus bringing them with new cross border trading opportunities and making it easier for their investors to broaden their financial and geographical horizons;
- seek potential strategic investments in IT and Internet related businesses involving the provision of online trading which may create synergies with the existing business of the Group;

## BUSINESS OBJECTIVES

- line up with local partners in jurisdictions outside Hong Kong to develop online trading system to suit the specific needs and requirements in the corresponding financial industries, as well as business environment in different jurisdictions;
- leverage off the IT knowledge of the Group's technical staff and its technology partners, as well as the financial market knowledge of its management;
- provide customisation services to tailor for the clients' specific needs;
- continue to dedicate itself to research and development of online trading system and other related products;
- continue to use its best endeavours to control the quality of the Group's products and to maintain its high standard of quality of services; and
- explore other business models to meet the specific needs of brokers and markets where the Group operates or intends to operate its business.

## BUSINESS PLAN

The following is the business plan of the Group for the Business Plan Period:

Period Description	From the Latest Practicable Date to 31st March, 2001	From 1st April, 2001 to 30th September, 2001	From 1st October, 2001 to 31st March, 2002	From 1st April, 2002 to 30th September, 2002	From 1st October, 2002 to 31st March, 2003	From 1st April, 2003 to 30th September, 2003
Market penetration	<u>Phase I</u> Increase ASP market share on the Hong Kong online securities trading market.	<u>Phase II</u> Scheduled to launch ASP services for markets as follows: April 2001 – Taiwan, The Philippines. May 2001 – Singapore, Thailand. September 2001 – the PRC.	<u>Phase III</u> Explore other markets for opportunities for market entry, alliance, joint venture or acquisition, for example, Europe and North America. Continue to review and implement marketing plan for new markets and new services.	<u>Phase IV</u> Phase IV target markets include South Korea, Malaysia, Japan, India and Indonesia. Continue to explore other markets for opportunities for market entry, alliance, joint venture or acquisition. Continue to review and implement marketing plan for new markets and new services.	Continue to explore other markets for opportunities for market entry, alliance, joint venture or acquisition. Continue to review and implement marketing plan for new markets and new services.	Continue to explore other markets for opportunities for market entry, alliance, joint venture or acquisition. Continue to review and implement marketing plan for new markets and new services.

## BUSINESS OBJECTIVES

Period	From the Latest Practicable Date to	From 1st April, 2001 to	From 1st October, 2001 to	From 1st April, 2002 to	From 1st October, 2002 to	From 1st April, 2003 to
Description	31st March, 2001	30th September, 2001	31st March, 2002	30th September, 2002	31st March, 2003	30th September, 2003
Strategic alliance	<p>Seek potential strategic alliance for the PRC market.</p> <p>Continue evaluation and strengthening of existing strategic relationship.</p> <p>Continue negotiations with potential partners for setting up joint venture entities in each of the overseas target markets.</p>	<p>Continue negotiations with brokerages in the PRC to form strategic alliance.</p> <p>Continue negotiations with existing partners for two-way cross border trades in Japan and other opportunities.</p> <p>Identify potential partners and commence negotiations for strategic alliances for Phase IV markets – South Korea, Japan, India and Indonesia.</p>	<p>Continue negotiations for strategic alliances for the Phase IV markets.</p> <p>Continue evaluation and strengthening of existing strategic relationship.</p> <p>Seek synergistic acquisition and merger opportunities to further extend services/ markets.</p>	<p>Continue evaluation and strengthening of existing strategic relationship.</p> <p>Continue to seek synergistic acquisition and merger opportunities to further extend services/ markets.</p>	<p>Continue evaluation and strengthening of existing strategic relationship.</p> <p>Continue to seek synergistic acquisition and merger opportunities to further extend services/ markets.</p>	<p>Continue evaluation and strengthening of existing strategic relationship.</p> <p>Continue to seek synergistic acquisition and merger opportunities to further extend services/ markets.</p>

## BUSINESS OBJECTIVES

Period	From the Latest Practicable Date to	From 1st April, 2001 to	From 1st October, 2001 to	From 1st April, 2002 to	From 1st October, 2002 to	From 1st April, 2003 to
Description	31st March, 2001	30th September, 2001	31st March, 2002	30th September, 2002	31st March, 2003	30th September, 2003
ASP services	Explore other ASP models to meet the specific needs of brokers/local market.	Expect to launch ASP services in Taiwan for domestic trades and cross border trades for Taiwanese investing on the overseas stock markets in April 2001.  Continue customisation and localisation of trading platform functionalities to suit market needs.  Provide integration services to the brokers for other applications such as personal financial management, client relationship management.  Develop software link to all regional exchanges.	Extend ASP service to other financial products such as bonds, mutual funds, derivatives and forex.  Extend ASP service to other financial markets such as OTC, second board.  Continue to enhance other service bureau functionalities.	Continue to enhance other service bureau functionalities.	Continue to enhance other service bureau functionalities.	Continue to enhance other service bureau functionalities.
Access devices	Develop other access channels, Web TV, interactive television, PDA, etc.	Develop more WAP application and enhance wireless online securities trading with regional cellular operators	Continue development of other access channels to enhance service offering.	Continue development of other access channels to enhance service offering.	Continue development of other access channels to enhance service offering.	Continue development of other access channels to enhance service offering.

## BUSINESS OBJECTIVES

Period Description	From the Latest Practicable Date to	From 1st April, 2001 to	From 1st October, 2001 to	From 1st April, 2002 to	From 1st October, 2002 to	From 1st April, 2003 to
	31st March, 2001	30th September, 2001	31st March, 2002	30th September, 2002	31st March, 2003	30th September, 2003
Content development	Continue to develop financial contents for Hong Kong brokerages from various content providers such as, AFX-Asia, ASI.  Continue to develop regional syndications of financial information content.	Reselling, content to brokers' websites.  Continue to develop syndications of financial information content on a global scale.	Develop contents in other local languages, for example  • simplified Chinese  • Thai  • Malaysian  • Korean	Continue to explore market needs and develop contents to enhance value added services.	Continue to explore market needs and develop contents to enhance value added services.	Continue to explore market needs and develop contents to enhance value added services.
Research and development	Continue to enhance software for localisation and customisation for each of the overseas target markets.  Define requirements for knowledge management system.  Commence development of value added services e.g. programmed trading.	Continue to enhance software for localisation and customisation for each of the overseas target markets.  Set up a software development workshop in the Philippines.	Continue research and development for new projects.  Enhance knowledge management system.	Continue research and development for new projects.  Enhance knowledge management system	Continue research and development for new projects.  Enhance knowledge management system	Continue research and development for new projects.  Enhance knowledge management system
Net proceeds expected to be used	n/a	approximately HK\$46 million	approximately HK\$4 million	n/a	n/a	n/a

## BUSINESS OBJECTIVES

### BREAKDOWN OF USE OF PROCEEDS FOR THE IMPLEMENTATION OF THE BUSINESS PLAN

#### For the period from 1st April, 2001 to 30th September, 2001

It is presently estimated that approximately HK\$46 million of the net proceeds will be allocated for the period from 1st April 2001 to 30th September 2001, of which approximately HK\$9 million is intended to be used for infrastructure development of the Group's Pan-Asian network, approximately HK\$8 million to be used for research and development, and approximately HK\$14 million to be used for setting up joint venture companies in each of the overseas target markets. The remaining balance of approximately HK\$15 million is intended to be used for additional general working capital of the Group.

#### For the period from 1st October, 2001 to 31st March, 2002

It is presently estimated that approximately HK\$4 million of the net proceeds will be allocated for the period from 1st October 2001 to 31st March 2002, of which approximately HK\$3 million is intended to be used for infrastructure development for the Group's expansion to target markets including South Korea and Malaysia, and approximately HK\$1 million to be used for research and development. The Company will also use internally generated funds from operations and/or through other fund raising exercises, including bank borrowings, issuance of debt securities and equity financing to finance the Business Plan.

#### For the period from 1st April, 2002 to 30th September, 2003

It is presently estimated that for the period from 1st April, 2002 to 30th September, 2003, the remaining Business Plan will be financed by internally generated funds from operations and/or through other fund raising exercises, including bank borrowings, issuance of debt securities and equity financing. The Directors currently do not have a concrete basis to estimate the amount of additional funds to be required through other fund raising exercises to implement the remaining Business Plan. Should the Group fail to obtain the necessary funds, the scale of the Business Plan may be reduced or some of the Business Plan may be able to be implemented at all.

### BASES AND ASSUMPTIONS OF THE BUSINESS PLAN

Potential investors should be aware that in formulating the Business Plan, the Directors have based on a number of bases and assumptions as detailed in the following paragraphs. Although the Directors are of the view that such assumptions are reasonable, there is no assurance that such assumptions are correct and attainable. In the event that any part of the Business Plan does not materialise or proceed as planned, the Directors will carefully evaluate the situation and may reallocate the proceeds from the Share Offer to be received by the Group to other business plans and/or new projects of the Group so long as the Directors consider it to be in the best interest of the Company and Shareholders taken as a whole. In such event, an announcement will be made as and when appropriate for such purpose.

#### Assumptions:

The followings are the assumptions in relation to the Business Plan:

- (a) ***Risk factors now faced by the Group will not adversely affect the Group's existing and future business*** – in formulating the Business Plan, the Directors have assumed that the major risk factors as detailed in the section headed "Risk factors" of this prospectus will not materialise;

## BUSINESS OBJECTIVES

- (b) *No adverse and significant unforeseeable circumstances or events* – while the Directors consider that they have evaluated sufficient amount of information in formulating the Business Plan and believe that such information are reliable, they have assumed that there is no unforeseeable circumstances or events occurring during the Business Plan Period which may materially and adversely affect the implementation of the Business Plan;
- (c) *Continue to operate in a stable business environment* – the Directors have assumed that the business environment in which the Group is operating will remain stable during the Business Plan Period;
- (d) *Sufficient resources to meet its planned capital expenditure* – the Directors have assumed that the Group will have sufficient financial resources to meet its planned capital expenditure and business development requirement during the Business Plan Period;
- (e) *No significant price change* – in estimating the Group’s capital expenditure during the Business Plan Period, the Directors have assumed that the general price level of the countries in which the Group is operating and from which its major supplies are sourced will follow their respective historical trend and will not be significantly volatile;
- (f) *The Group will be able to recruit and procure services from suitable candidates* – the Directors have assumed that the Group is able and will be able to attract and retain staff of the right calibre to contribute to its business development and future growth;
- (g) *No material changes in taxation* – the Directors have assumed that there will be no material changes in the bases or rates of taxation in the countries in which the Company operates or companies in the Group are incorporated or registered;
- (h) *No significant changes in interest rates and exchange rates* – the Directors have assumed that the interest rates and exchange rates will not differ materially from those currently prevailing;
- (i) *No disputes that are beyond the control* - the Directors have assumed that there will be no industrial disputes for reasons that are beyond the control of the Directors which will materially effect the operations and results of the Group; and
- (j) *Online trading can be delivered on schedule* – the Directors have assumed online trading facilities in other emerging markets’ stock exchanges can be delivered according to the time schedule.

## USE OF PROCEEDS

The net proceeds of the Share Offer, after deducting the relevant expenses payable by the Company and assuming an Offer Price of HK\$0.67 per Share (being the midpoint of the indicative range of the Offer Price of between HK\$0.64 and HK\$0.70 per Share), excluding any proceeds from the exercise of the Over-allotment Option, are estimated to be approximately HK\$50 million. The Directors at present intend to apply such net proceeds in the following manner:

### Infrastructure development

- as to approximately HK\$12 million for infrastructure development of the Group’s trading services bureau and cross border connections to a Pan-Asian network of local stock brokers in offshore markets and exchanges. Capital expenditures include system development, network and equipments that are acquired for setting up service platforms;

## BUSINESS OBJECTIVES

### **Research and development**

- as to approximately HK\$9 million for research and development of software localisation and customisation, product and content development as well as other trading platform functionalities to suit the Group’s target market needs, and continue to review and implement new financial services and products to further extend the Group’s services and markets;

### **Investment projects**

- as to approximately HK\$14 million for setting up joint ventures with the Group’s proposed or existing strategic partners in the Group’s target markets to facilitate the Group’s penetration to local markets and help establishment of the Group’s local presence and market influence, and to increase its market share and market growth. Target markets include the Philippines, Taiwan, Singapore, Thailand and the PRC; and

### **Others**

- as to the balance of approximately HK\$15 million as general working capital of the Group.

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 they should be placed on short-term deposits with banks or financial institutions in Hong Kong. If for any reason the proceeds are not utilised as described above or are reallocated, the Company will issue an announcement in accordance with the GEM Listing Rules.

The above intended use of proceeds is calculated based on the assumption that the Offer Price is set at HK\$0.67 per Share. In the event that the Offer Price deviates from the assumed HK\$0.67 per Share, the amount of the net proceeds will be different. The Directors intend that any shortfall between the estimated net proceeds and the actual proceeds finally received by the Group will be approximately HK\$3 million and any surplus arising thereon will be approximately HK\$3 million. The Directors believe that such deviation will not have any material impact on the Business Plan as described in this section.

However, the Directors are of the view that the net proceeds of the Share Offer are not sufficient to finance the Business Plan in full. Accordingly, the Group may need to raise additional funds through other fund raising exercises, including bank borrowings, issuance of debt securities and equity financing, to finance the expansion and further development of its existing business or the acquisitions set out in the Business Plan. Please refer to the section headed “Risk factors” of this prospectus for more details.

Should the Over-allotment Option be exercised in full, the Company would receive additional net proceeds from issue of new Shares of approximately HK\$9 million based on an Offer Price of HK\$0.67 per Share, which the Directors intend to allocate for general working capital purpose.

In the event that any part of the Business Plan does not materialise or proceed as planned, the Directors will carefully evaluate the situation and may reallocate the intended funding to other business plans and/or to new projects of the Group and/or to hold such funding as short-term deposits as long as the Directors consider it to be in the best interests of the Company and Shareholders taken as a whole and to be in compliance with the GEM Listing Rules. In such event, an announcement will be made as and when appropriate for such purpose.

## SHAREHOLDERS' PROFILE

The existing shareholders of the Group comprise highly respectable individuals who are well-known both in Hong Kong and overseas, a group of experienced management in the IT industry and two corporate investors. They are Dr. Ho, Mr. Cheng, Dr. Lee, Mr. Tony Fung, Mr. Lawrence Ho, Mr. Yuen and Mr. Ko, all executive Directors, Mr. Thomas Fung, a non-executive Director, and Yu Ming and the JAFCO Investments. Biographical details of the Directors are set out in the section headed "Directors, senior management and staff" of this prospectus. Background of Yu Ming and the JAFCO Investments are set out below.

### **Yu Ming Investments Limited**

Yu Ming is an investment company listed on the Main Board since 1990. Yu Ming is a profit and cash generator. For the past nine financial years from 1991 to 1999, accumulative profit of over HK\$1.5 billion has been reported and over HK\$900 million cash has been paid out to its shareholders.

### **JAFCO Investments**

Each of the JAFCO Investments is a fund managed by Jafco Co., Ltd. ("Jafco").

Jafco was founded in April 1973 with an initial capital of Yen 500 million, and in March 2000, Jafco's net asset value exceeds Yen 100 billion. Currently, its shares are traded via Over-the-Counter market.

Jafco, regarded as one of the most successful venture capital firms in the world, focuses mainly on the Internet, communications, software and semi-conductors sectors. In the past, Jafco has led over 500 companies to IPO, and in recent years, Jafco's investees have accounted for 30% of total IPOs in Japan.

Jafco has presence in most of the major countries in the world, including the United States, London and in particular, the South East Asia region (Taiwan, Hong Kong, Singapore, the Philippines, Indonesia, Malaysia and Thailand). With Jafco's global network, the Directors believe Jafco will definitely bring international expertise to the Group.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

### DIRECTORS

#### Executive Directors

**Dr. HO Hung Sun, Stanley**, aged 79, joined the Group in February 2000. Dr. Ho is an outstanding entrepreneur in Asia. Dr. Ho holds various key positions in both Hong Kong and Macau. In Hong Kong, Dr. Ho is the group executive chairman and the founder of Shun Tak, the chairman of Melco International Development Limited and the president of The Real Estate Developers Association of Hong Kong. In Macau, he is the managing director of Sociedade de Turismo e Diversões de Macau, S.A.R.L., vice-chairman of CAM – Macau International Airport Company Limited, chairman of Seng Heng Bank Limited and chairman of Macau Jockey Club.

**Mr. CHENG Kar Shing, Peter**, aged 48, joined the Group in October 2000. Mr. Cheng is a director of New World Development Co. Ltd., New World Services Ltd., NWD (Hotels Investments) Ltd., Macao Water Supply Co. Ltd. and Polytown Co. Ltd. He is also an executive director of New World China Land Ltd. and New World Infrastructure Ltd. Mr. Cheng joined the NWD Group in 1980 and is responsible for the business development and overall management of the Group. He has over 20 years of experience in property development and investment business. Mr. Cheng is the brother of Dr. Cheng Kar-Shun, Henry, the managing director of NWD.

**Dr. LEE Jun Sing**, aged 54, joined the Group in January 2000 and is the co-founder with Mr. Ko. Dr. Lee graduated with a Doctor of Philosophy in Chemical Physics from the Indiana University, the United States, and did his postdoctoral research at the Johns Hopkins University, the United States. In 1978, he became a director and general manager of Digitus Corporation in the United States. For the past 14 years, he has been the director of Globalwide Shipping Ltd., Vast Honour Development Ltd. and is now an executive director of isinolaw Limited.

**Mr. FUNG Wing Cheung, Tony**, aged 49, joined the Group in February 2000. Mr. Fung is the chairman of both Yu Ming Investment Management Limited and Yu Ming. He has over 25 years of experience in fund management, direct investments and the securities and finance businesses. He had been the vice chairman and member of the Council of the Stock Exchange and is a general committee member of Hong Kong General Chamber of Commerce and a member of the National Committee of the Chinese People's Political Consultative Conference.

**Mr. HO Yau Lung, Lawrence**, aged 24, joined the Group in October 2000. Mr. Lawrence Ho is the son of Dr. Stanley Ho, the founder of the Shun Tak Group. Mr. Lawrence Ho graduated from the University of Toronto, Canada with a Bachelor of Arts degree, majoring in commerce. During Mr. Ho's employment at Jardine Fleming, he worked in the Asian derivative group, responsible for marketing and structuring of Asian derivative products and gained experience in advising overseas institutional investors and the high net-worth clients in Hong Kong on new investment products. Prior to that, Mr. Ho was an industry analyst at the credit risk management department of the Citibank Hong Kong, specialising in the industry analysis of the Hong Kong and China import/export trading industries.

**Mr. YUEN Tien Yau, Gordon** (*Co-Chief Executive Officer*), aged 43, joined the Group as co-chief executive officer in September 2000. Mr. Yuen graduated from York University, Ontario, Canada with a Bachelor of Arts degree majoring in Administration. He has been an active keynote speaker for major financial and information conferences around the Asian region. Mr. Yuen was the chief executive of a London based Nasdaq listed technology company specialising in web-publishing, e-commerce and on-line transactions for financial and investment communities. He is

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

one of the few pioneers in Hong Kong to provide software services to financial institutions under an ASP model. Mr. Yuen has also contributed to the success of a few major financial institutions and IT companies when he was a key managerial staff. Those companies include The Hongkong and Shanghai Banking Corporation Limited, American Express International, Inc. and American Express Bank.

**Mr. KO Chun Fung, Henry** (*Co-Chief Executive Officer*), aged 41, joined the Group as group managing director in December 1999 and is the co-founder with Dr. Lee. Mr. Ko received his undergraduate degree in engineering from Deakin University. In 1990, Mr. Ko received an Australian Postgraduate Course Award to study a master degree in business administration at the Australian Graduate School of Management. Being a veteran and pathfinder in the Asian telecom industry, Mr. Ko continues to be a key player in the field today. In 1993, Mr. Ko joined one of the most successful telecom companies in Hong Kong, Star Paging (Taiwan) Limited as a general manager. He was promoted to be an executive director of Star Telecom Group in 1996, and he spearheaded the company's PCS licence bidding which had led to a major success of the organisation. Mr. Ko was responsible for the re-alignment of the Star Telecom Group, and had successfully forged joint venture agreements with Pacific Electric Wire and Cable, NTTI, ITOCHU, Ucom and Telecom Finland in the Asia Pacific region. In 1997, he founded Star Telecom Overseas Ltd., an independent associate company of the Star Telecom Group.

### Non-executive Directors

**Mr. FUNG Hoo Wing, Thomas**, aged 45, joined the Group in January 2000. Mr. Fung is a prominent businessman holding directorships for various private companies engaging in different industries including gem, interior decoration, real estate, and other finance related businesses. With the knowledge of precious stones gained during his 5 years' apprenticeship, Mr. Fung started to operate his own gem business in his early twenties and became a very successful expert in the gem industry. Subsequently, Mr. Fung diversified his business to include the real estate, interior decoration, as well as finance and commodity related businesses. His 26 years of experience in the finance field will certainly contribute to the success of the Company.

**Ms. LEONG On Kei, Angela**, aged 39, joined the Group in April 2000. Ms. Leong has been actively involved in public and community services in China, Hong Kong and Macau. Starting from 1993, her success from being elected to be a member of the second meeting of the fifth session of the Standing Committee of San Shui City Chinese People's Political Consultative Congress has proven her solid identity in the public and community services in China. Most recently she has been re-elected to be the chairperson of San Shui Overseas Friendship Association Council. On business, Ms. Leong has a broad involvement with the golf industry, where she is the executive director and vice-chairperson of Giangmen Wuyi Golf Course & Entertainment Co., Ltd.

**Mr. IMUTA Hitoshi**, aged 53, joined the Group in November 2000. Mr. Imuta graduated from Kagoshima University in Japan. After that, he joined Nomura Securities Co., Ltd., the largest securities company in Japan. He has spent 23 years with Nomura Securities Co. Ltd., and spent also most of the time in the international business. During this term, he worked for Nomura Securities International Inc. (New York) and Nomura Singapore Limited (Singapore). In 1993, he joined Jafco Co. Ltd ("Jafco"), the largest venture capital firm in Japan, as director of global operations department. Currently, he is responsible for monitoring the global operation of Jafco. He is the chairman of JAFCO America Ventures Inc., JAFCO Investment (U.K.) Limited and JAFCO Investment (Asia Pacific) Ltd..

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

### Independent non-executive Directors

**Mr. TSUI Yiu Wa, Alec**, aged 51, joined the Group in November 2000. He holds a Bachelor of Science degree and a Master of Engineering degree in Industrial Engineering from the University of Tennessee and has completed the program for senior managers in government at the John F. Kennedy School of Government at Harvard University. Mr. Tsui has extensive experience in finance and administration, corporate and strategic planning, IT and human resources management. Prior to joining the Group, Mr. Tsui worked for iRegent Group Limited from 1st August 2000 to 28th February 2001. He was the chief operating officer of the Hong Kong Exchanges and Clearing Limited from March 2000 and the chief executive of the Stock Exchange from February 1997. Mr. Tsui first joined the Stock Exchange in January 1994 as executive director of the finance and operations services division and became deputy chief executive of operation services of the Stock Exchange in January 1996.

**Ms. PATAJO-KAPUNAN, Lorna**, aged 48, joined the Group in November 2000. Ms. P. Kapunan has been a patron of the legal society in the Philippines for many years. She is a graduate from the University of the Philippines, College of Law and also majored in AB political science. Ms. P. Kapunan has a number of professional involvement throughout her legal career. The most recent ones include President, Intellectual Property Alumni Association (IPAA); Country Group President, Asean Patent Attorneys Association (APAA) and Vice President, Philippines Women Trial Lawyers Association. Ms. P. Kapunan is a managing partner of Roco Bunag Kapunan & Migallos Law Offices and her field of practice includes corporate, litigation, intellectual property and family laws.

### Compliance Officer

**Mr. YUEN Tien Yau, Gordon**, aged 43, is an executive Director of the Group. Biographical details of Mr. Yuen can be found under the sub-section headed “Executive Directors” in this section.

### SENIOR MANAGEMENT

**Mr. MILES, Robin James** (*Chief Operating Officer*), aged 40, joined the Group as general manager in November 1999. Mr. Robin Miles graduated from the University of Surrey, UK in 1982 from an Honours degree in Electronic and Electrical Engineering. Mr. Robin Miles has become inseparable from the provision of trading system early in 1988 when he graduated from Philips Research Laboratories, UK with a successful research posting in financial software programming. With a career spanning 18 years within the electronic, financial, investment banking and new technology sectors, Mr. Robin Miles has extensive experience in the design and implementation of on-line trading system in European and Asian markets. He started his career with a system solution consultant firm, taking up the Kleinwort Benson project. In the project, Mr. Robin Miles was responsible for the development of a front-office decision support system for international warrants and convertibles trading. He then subsequently moved to Kleinwort Benson to take charge of the entire project.

In 1993, Mr. Robin Miles was with the merged Dresdner Kleinwort Benson responsible for the creation of systems based on the Web/Internet technologies, scaling from Internet infrastructure design to publication of analyst research over the Internet. Mr. Robin Miles’ knowledge in the global marketplace, financial trading and management systems, and network design made him to be a crucial factor to the success of the first UK real time Internet stock dealing service. Mr. Robin Miles also has spend a great amount of time working in Tokyo and Hong Kong; therefore gaining valuable insights into the culture of the financial markets in Asia, as well as in Europe.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

**KWOK Man Ki, Kino** (*Chief Technology Officer*) aged 39, joined the Group in December 1999. Mr. Kwok has extensive experience in IT, telecommunications and finance industry. He graduated from the University of Newcastle in Australia with an Honours degree in Computer Engineering. Prior to joining the Group, Mr. Kwok was working in Star Telecom Overseas Ltd., responsible for leading a software team to manage the telecom network, billing system and develop innovative value added services to customers in Taiwan. Before that he had worked in CTI, Hong Kong Star Internet Ltd. & Star Telecom Holdings Ltd., the Stock Exchange, Price Waterhouse Urwick (Australia) and National Semiconductor HK Limited. Mr. Kwok developed the first Chinese graphical stock information terminal in Star Telecom Holdings Ltd. He was involved in the development of the first generation of the Automatic Matching and Execution System (AMS/1) while he was working in the Stock Exchange. He developed a real time deal capture and position keeping system for the foreign exchange and money market dealing department of Westpac Bank in Australia while he was working in the Management Consulting Services department of Price Waterhouse Urwick.

**AU Yin Chun, Grace** (*Financial Controller*) aged 38, joined the Group in December 1999. Ms. Au received her Master degree in Business Administration from the Australian Graduate School of Management majoring in finance and investment. With over 14 years of experience in professional accounting, Ms. Au has gained extensive insight into international accounting, business practices, reporting, and business risk management for the global market.

Ms. Au is a fellow of the Association of Chartered Certified Accountants, member of CPA Australia and the Hong Kong Society of Accountants. Prior to joining the Group, Ms. Au has over 10 years auditing and business advisory experience working with PricewaterhouseCoopers Hong Kong (formerly Price Waterhouse before its merger with Coopers & Lybrand). Her experience includes 4 years as a manager in supervising the financial and compliance audits for an international stock brokerage firm, covering the brokerage's businesses in Hong Kong, Japan, Taiwan, Thailand, Korea, Singapore and Malaysia.

**TURNER, Neil** (*Director of Infrastructure and Security*) aged 46, joined the Group in April 2000. Mr. Turner was educated in the United Kingdom at Sandown Grammar School, on the Isle of Wight, and Nottingham University, where he graduated in 1976. He has extensive experience in dealing with the problems of early commercial use of the Internet and provided solutions for many of them. Mr. Turner's last role before joining the Group involved the design and control of network security to financial standards, to satisfy the exacting demands of a trans-national investment bank. With this practical experience and keen attention to technical detail, he is able to provide the Group with a quality technical infrastructure.

Mr. Neil Turner has been in commercial IT industry for 24 years, at companies ranging from heavy industry to investment banking. For a majority part of that period he worked in the city of London for the merchant bank Kleinwort Benson Limited, later a member of the Dresdner Bank AG Group. He initially worked on various business applications: payroll, accounting, commercial banking, foreign exchange and securities trading. His first experience of working in Hong Kong was when he installed the loan/deposit and interest accruals systems for Kleinwort Benson. He soon gravitated towards more technical involvement with systems and communications, which has been his main activity ever since.

**CHEUNG Chi Ming, Walter** (*Project Director*) aged 36, joined the Group in May 2000. Mr. Cheung holds a Bachelor of Science degree from The Chinese University of Hong Kong (1986) and a Master degree in Business Administration from the University of Sydney (1994).

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Cheung has over nine years of working experience as a systems manager with the Stock Exchange. He has in-depth knowledge on the design and implementation of exchange trading systems and market information dissemination systems. His key strengths in system design are distributed online transaction processing and fault-tolerant computing. Throughout the evolution of the Stock Exchange's trading systems from ASM/1 to AMS/3 in the past 8 years, Mr. Cheung took up key positions in the architectural design and implementation management of these projects. The complexity of the trading systems that he has developed is best illustrated by the AMS/3 trading system of the Stock Exchange, which comprises 64 tandem S72000 processors and features 200 order transactions per second with an average response time of 0.5 second in a fault-tolerant computing environment. Apart from trading systems, Mr. Cheung also has extensive experience in banking applications. His previous experience includes working as a system engineer in the Westpac Bank in Australia and Bank of America in Hong Kong.

**TAM Chun Fai, Alan** (*Project Director*) aged 37, joined the Group in May 2000. Mr. Tam holds an Honours degree in Science from The Chinese University of Hong Kong and a Master degree in Information Engineering from The Chinese University of Hong Kong in 1998.

Mr. Tam has more than fourteen years experience in the IT industry. Prior to joining the Group, Mr. Tam was working for the Hong Kong & China Gas Company (Towngas). He was responsible for leading a software development team to develop the point-of-sales system which was successfully launched in all Towngas customer centers. Before that he had worked in major telecom & Internet companies for over 13 years. Mr. Tam headed the IT department and led several development teams on the development of various financial, telecommunication and billing systems. He had successfully developed and launched the real time stock quoting terminal that provides comprehensive financial information on stocks listed on the Stock Exchange, major stock market indices, FX & precious metal quotes, charting analysis and horse racing odds & results. He had also successfully launched the wireless real time stock price quoting system for financial pagers.

**WONG Kwok Tung, Gordon** (*Director of Strategic Planning and Company Secretary*) aged 26, joined the Group in September 2000. Mr. Wong graduated from the University of Sydney with a Bachelor of Economics degree. He has broad experience working with international accounting firms in both Hong Kong and Australia. Currently, he is a member of The Institute of Chartered Accountants in Australia, an associate member of the Hong Kong Society of Accountants, and an affiliate member of the Hong Kong Securities Institute. He was a member of the Hong Kong Corporate Advisory team in an international investment bank, involved in several merger and acquisition transactions, as well as IPOs in the Asia-Pacific region.

**TSAI Hoi Yuen, Kelvin** (*Regional Sales Director*) aged 27, joined the Group in February 2000. Mr. Tsai received his Bachelor of Arts degree majoring in Business from the University of Winnipeg, Canada in 1995. Mr. Tsai was the technical sales director, Asia for Real Media, Inc. ("Real Media"), a US based Internet advertising technology company. His excellent performance in beating other world class competitors has led Real Media's software to become the mostly used Internet advertising solution in Asia. His success in Asia has contributed to the listing of Real Media in Nasdaq. Mr. Tsai had been the front line business developer for the internet division of both Reuters and Financial Times since 1996, where he was mainly responsible for establishing the Internet related businesses in Hong Kong, Taiwan, China and the United States.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

### STAFF

#### Overview of staff of the Group

As at the Latest Practicable Date, the Group had 50 full-time employees. The breakdown of the Group's employees by divisions is as follows:

	As at 30th September, 2000	As at the Latest Practicable Date
Key management	6	5
Sales and marketing	7	7
Corporate services	10	10
Operations/Research and development	25	28
Total	<u>48</u>	<u>50</u>

#### Relationship with staff

The Group has not experienced any disruption of its business operations due to labour disputes. The Directors consider that the Group has and maintains good working relationships with its employees.

#### Pension scheme

The Company has implemented a provident fund scheme for its employees in Hong Kong in compliance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485, Laws of Hong Kong) (as amended from time to time) which took effect from 1st December, 2000.

### SHARE OPTION SCHEMES

Under the Pre-IPO Share Option Plan, 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 the Share Option Scheme pursuant to which full time employees and directors of the Company and its subsidiaries may be granted an option to acquire shares. The principal terms of the Pre-IPO Share Option Plan and the Share Option Scheme are summarised and particulars of the grantees holding options under the Pre-IPO Share Option Plan are set out in the section headed "Share Option Schemes" in Appendix IV to this prospectus.

### AUDIT COMMITTEE

#### Members of the audit committee

PATAJO-KAPUNAN, Lorna and TSUI Yiu Wa, Alec, the independent non-executive Directors have been appointed to form the audit committee of the Company on 14th March, 2000 with written terms of reference based upon the guidelines published by the Hong Kong Society of Accountants in compliance with the requirements as set out in rules 5.23 and 5.24 of the GEM Listing Rules. Ms. PATAJO-KAPUNAN, Lorna is appointed as the chairperson to the audit committee.

## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

### **Functions of the audit committee**

The duties of the audit committee include reviewing the Company's annual reports and accounts, half-yearly reports and quarterly reports and providing advice and comments thereon to the Directors. In this regard, members of the audit committee must liaise with the Directors, senior management and qualified accountant of the Company and the audit committee must meet, at least once a year with the Company's auditors. The audit committee should also consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give consideration to any matters that have been raised by the Company's accountant, compliance officer or auditors. The members of the audit committee are also responsible for reviewing and supervising the Company's financial reporting and internal control procedures.

## SUBSTANTIAL, INITIAL MANAGEMENT AND SIGNIFICANT SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, the following persons, other than a director or a chief executive of the Company, will be directly or indirectly interested in 10% or more of the Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue without taking into consideration the exercise of the Over-allotment Option and Shares which may be taken up pursuant to the Share Offer:–

Name	Number of Shares	Approximate percentage of shareholding (%)
Newtop	52,809,819	11.73
Kateman International Ltd.	52,809,819 ( <i>Note 1</i> )	11.73
Potassium Corp.	52,809,819 ( <i>Note 1</i> )	11.73
Mr. Joseph Fung	52,809,819 ( <i>Note 2</i> )	11.73
Mr. Tony Yeung	52,809,819 ( <i>Note 2</i> )	11.73
Best Summit	62,997,029	14.00
Bailey	73,846,513	16.41
Capital Speed	60,433,722	13.43

*Notes:–*

1. These Shares are held by Newtop, a company incorporated in Hong Kong with limited liability under the Companies Ordinance, which is legally and beneficially owned as to 50% by Kateman International Ltd. and 50% by Potassium Corp.
2. These Shares are held by Newtop which is owned as to 50% by Kateman International Ltd. and as to 50% by Potassium Corp.. Each of Mr. Joseph Fung, Mr. Thomas Fung and Mr. Tony Yeung beneficially owns or has control over 33<sup>1</sup>/<sub>3</sub>% of the issued share capital of Kateman International Ltd. and was deemed (by virtue of the SDI Ordinance) to be interested in these Shares. These Shares represent the same interest and are therefore duplicated among Newtop, Kateman International Ltd., Potassium Corp., Mr. Joseph Fung and Mr. Tony Yeung.

## SUBSTANTIAL, INITIAL MANAGEMENT AND SIGNIFICANT SHAREHOLDERS

### INITIAL MANAGEMENT SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue without taking into account the exercise of the Over-allotment Option and Shares which may be taken up pursuant to the Share Offer, the following persons will be regarded as the initial management shareholders of the Company for the purposes of the GEM Listing Rules:-

Name	Effective or attributable number of Shares	Approximate effective or attributable percentage of shareholding (%)
Longson	36,378,847 ( <i>Note 1</i> )	8.08
Yu Ming	36,378,847 ( <i>Note 1</i> )	8.08
Newtop	52,809,819 ( <i>Note 2</i> )	11.73
Kateman International Ltd.	52,809,819 ( <i>Note 2</i> )	11.73
Potassium Corp.	52,809,819 ( <i>Note 2</i> )	11.73
Mr. Joseph Fung	52,809,819 ( <i>Note 2</i> )	11.73
Mr. Thomas Fung	52,809,819 ( <i>Note 2</i> )	11.73
Mr. Tony Yeung	52,809,819 ( <i>Note 2</i> )	11.73
Mr. Cheng	52,809,819 ( <i>Note 3</i> )	11.73
Best Summit	62,997,029 ( <i>Note 4</i> )	14.00
Dr. Lee	62,997,029 ( <i>Note 4</i> )	14.00
Bailey	73,846,513 ( <i>Note 5</i> )	16.41
Dr. Ho	73,846,513 ( <i>Note 5</i> )	16.41
Ms. Angela Leong	3,692,326 ( <i>Note 6</i> )	0.82
Capital Speed	60,433,722 ( <i>Note 7</i> )	13.43
Mr. Ko	60,433,722 ( <i>Note 7</i> )	13.43
Mr. Yuen	60,433,722 ( <i>Note 7</i> )	13.43
Golden Mate	42,326,273 ( <i>Note 8</i> )	9.41
Mr. Lawrence Ho	42,326,273 ( <i>Note 8</i> )	9.41
Pioneer Asset	17,149,195 ( <i>Note 9</i> )	3.81
JAFCO L-2 Venture Capital Investment Limited Partnership	2,504,127	0.56
JAFCO G-8(A) Investment Enterprise Partnership	2,504,127	0.56
JAFCO G-8(B) Investment Enterprise Partnership	2,504,127	0.56
JAFCO GC-1 Investment Enterprise Partnership	2,504,127	0.56
Global Vision Group Limited	4,042,094 ( <i>Note 10</i> )	0.90
Mr. Robin Miles	4,042,094 ( <i>Note 10</i> )	0.90

*Notes:-*

- The entire issued share capital of Longson is beneficially owned by Yu Ming.
- These Shares are held by Newtop the shares of which are beneficially owned as to 50% by Kateman International Ltd. and as to 50% by Polassium Corp.. Each of Mr. Joseph Fung, Mr. Thomas Fung and Mr. Tony Yeung beneficially owns or has control over 33<sup>1</sup>/<sub>3</sub>% of the issued share capital of Kateman International Ltd. and was deemed (by virtue of the SDI Ordinance) to be interested in these Shares. These Shares represent the same interest and are therefore duplicated among Newtop, Kateman International Ltd., Potassium Corp., Mr. Joseph Fung, Mr. Thomas Fung, Mr. Tony Yeung and Mr. Cheng.

## **SUBSTANTIAL, INITIAL MANAGEMENT AND SIGNIFICANT SHAREHOLDERS**

3. The entire issued share capital of Potassium Corp. is beneficially owned by Mr. Cheng.
4. These Shares are held by Best Summit, the entire issued share capital of which is owned by Dr. Lee. Dr. Lee was deemed (by virtue of the SDI Ordinance) to be interested in these Shares. These Shares represent the same interest and are therefore duplicated between Best Summit and Dr. Lee. In addition to these Shares held by Best Summit, Dr. Lee also beneficially holds 5% and 25% of the issued share capital of Bailey and Pioneer Asset respectively and his respective beneficial interest in the issued share capital of Bailey and Pioneer Asset will give Dr. Lee an additional approximate attributable interest of 0.82% and 0.95% in the Company respectively.
5. These Shares are held by Bailey and Dr. Ho holds 65% of the issued share capital of Bailey and was deemed (by virtue of the SDI Ordinance) to be interested in these Shares. These Shares represent the same interest and are therefore duplicated among between Bailey and Dr. Ho. Each of Dr. Lee and Ms. Angela Leong beneficially holds 5% of the issued share capital of Bailey. The other 15% of the issued share capital of Bailey are held by the mother of Dr. Lee, Mrs. Lee Wong Fun Chong, 5% are held by the father of Dr. Lee, Mr. Lee Sing Man, and the remaining 5% are held by two persons who are independent parties not connected with any of the chief executive, directors, initial management shareholders, substantial shareholders of the Company or their respective associates.
6. Ms. Angela Leong is beneficially interested in 5% of the issued share capital of Bailey. This approximate attributable interest of 0.82% in the Company reflects her 5% beneficial interest in the issued share capital of Bailey.
7. These Shares are held by Capital Speed and each of Mr. Ko and Mr. Yuen beneficially holds 51% and 49% respectively of the issued share capital of Capital Speed. Each of Mr. Ko and Mr. Yuen was deemed (by virtue of the SDI Ordinance) to be interested in these Shares. These Shares represent the same interest and are therefore duplicated among Capital Speed, Mr. Ko and Mr. Yuen.
8. The entire issued share capital of Golden Mate is beneficially owned by Mr. Lawrence Ho.
9. Pioneer Asset is a company incorporated in Hong Kong with limited liability under the Companies Ordinance and is beneficially owned as to 25% by Dr. Lee, as to 25% by Mrs. Lee Wong Fun Chong, as to 25% by Mr. Lee Jun Wai and as to 25% by Mr. Lee Sing Man.
10. These Shares are held by Global Vision Group Limited, the entire issued share capital of which is beneficially owned by Mr. Robin Miles.

### **SIGNIFICANT SHAREHOLDERS**

So far as the Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue and assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be taken up under the Share Offer, apart from the substantial shareholders and the Initial Management Shareholders referred to above, there are no other persons who are entitled to exercise or control the exercise of 5 per cent. or more of the voting power at general meetings of the Company.

### **UNDERTAKINGS**

Each of the Initial Management Shareholders has undertaken to the Company, the Stock Exchange, First Shanghai and the Underwriters pursuant to the GEM Listing Rules and a waiver granted by the Stock Exchange as described under the section headed "Waivers from compliance with GEM Listing Rules" of this prospectus that:—

1. it/he/she will place with an escrow agent acceptable to the Stock Exchange and First Shanghai its Relevant Securities during the First Relevant Lock-up Period on terms acceptable to the Stock Exchange and First Shanghai;

## SUBSTANTIAL, INITIAL MANAGEMENT AND SIGNIFICANT SHAREHOLDERS

2. it/he/she shall not, and shall procure that none of its/his/her associates and the companies controlled by or nominees or trustees holding in trust for it/him/her shall, during the First Relevant Lock-up Period, sell, transfer or otherwise dispose of or create any rights (or enter into any agreement to do any of the above) in respect of any of the Relevant Securities (apart from a pledge or charge to an authorised institution under the Banking Ordinance (Chapter 155, Laws of Hong Kong) (as amended from time to time) as security for a bona fide commercial loan), or sell, transfer or otherwise dispose of (or enter into an agreement to do any of the above) any interest in any shares in any company controlled by it/him/her which is directly, or through another company indirectly, the beneficial owner of any of the Relevant Securities (apart from a pledge or charge to an authorised institution under the Banking Ordinance as security for a bona fide commercial loan);
3. within the First Relevant Lock-up Period it/he/she shall (a) when it/he/she pledges or charges any interest in the Relevant Securities, immediately inform the Company and First Shanghai in writing of such pledge or charge together with the number of such securities so pledged or charged, the purpose for which the pledge or charge is made and such other relevant details; and (b) when it/he/she receives indications, either verbal or written, from any pledgee or chargee that the Relevant Securities in the Company pledged or charged by it/he/she will be or has been disposed of, immediately inform the Company and First Shanghai in writing of such indications or disposal. Upon receiving such information in writing, the Company will, as soon as practicable, notify GEM and make a public disclosure by way of a press announcement; and
4. it or he or she will not dispose of (or enter into any arrangement to dispose of) any of its/his/her respective interest in Shares arising pursuant to the exercise of any options (including the options granted under the Pre-IPO Share Option Plan) held immediately prior to the Listing Date during the First Relevant Lock-up Period.

Each of the Initial Management Shareholders has further undertaken to the Company, the Stock Exchange, First Shanghai and the Underwriters (i) that it/he/she will not, and will procure that none of its/his/her associates and companies controlled by or nominees or trustees holding interest for it/him/her shall, dispose of (or enter into any arrangement to dispose of) any of its/his/her direct or indirect interest in the Relevant Securities during the Second Relevant Lock-up Period if such disposal would result in its/his/her ceasing to have control in aggregate over 35% (subject to disposal on a pro rata basis by each of the Initial Management Shareholders of a maximum of 56.25% of the Relevant Securities held by each of them) of the voting powers at general meeting of the Company; and (ii) to place the appropriate number of its/his/her Relevant Securities (if applicable) in escrow with an escrow agent acceptable to the Stock Exchange during the Second Relevant Lock-up Period to the extent as described above.

In addition, each of the ultimate beneficial owners of Longson, Newtop, Best Summit, Bailey, Capital Speed, Golden Mate and Pioneer Asset and Global Vision Group Limited (collectively “Immediate Holding Companies”) has undertaken to the Company, the Underwriters and the Stock Exchange that it/he/she will not dispose of (or enter into any agreement to dispose of) nor permit the registered holder thereof to dispose of (or enter into any agreement to dispose of) any of their respective direct or indirect interest in any of the Immediate Holding Companies for a period of 12 months from the Listing Date.

## **SUBSTANTIAL, INITIAL MANAGEMENT AND SIGNIFICANT SHAREHOLDERS**

The Company has undertaken and covenanted with First Shanghai and the Underwriters not to, and each of the Warrantors has undertaken and covenanted with First Shanghai and the Underwriters to procure that the Company and the members of the Group will not issue, accept subscriptions for, offer, sell, contract to sell or, grant or agree to grant any option or other rights in or to subscribe for or otherwise dispose of Shares or debentures (other than debentures granted as security collateral for borrowings in the ordinary course of business) or other securities (including securities convertible or exchangeable for Shares) of the Company or any member of the Group (other than for the formation of any new joint venture vehicles or new wholly-owned subsidiaries) or any interests therein during the First Relevant Lock-up Period, other than the issue of Shares pursuant to the Share Offer, the Capitalisation Issue, the exercise of the Over-allotment Option, the exercise of the options granted under either or both the Pre-IPO Share Option Plan and/or the Share Option Scheme and the granting of options under the Share Option Scheme, any capitalisation issue, consolidation, sub-division or capital reduction of Shares.

## SHARE CAPITAL

<i>Authorised share capital:</i>	<i>HK\$</i>
10,000,000,000 Shares	1,000,000,000
 <i>Issued Shares:</i>	
292,131,150 Shares in issue	29,213,115
 <i>Shares to be issued:</i>	
67,868,850 Shares to be issued under the Capitalisation Issue	6,786,885
81,000,000 Shares to be issued under the Placing	8,100,000
9,000,000 Shares to be issued under the Public Offer	900,000
 <i>Total shares issued and to be issued:</i>	
450,000,000 Shares	45,000,000

Under the GEM Listing Rules, the minimum level of public float to be maintained by the Company at all times after listing is 20% of its share capital in issue from time to time.

*Notes:*

### **Assumptions**

1. This table assumes that the Share Offer and the Capitalisation Issue becomes unconditional and issue of Shares were made pursuant thereto.
2. It takes no account of any Shares which may be allotted and issued under the Over-allotment Option or upon the exercise of options granted under the Pre-IPO Share Option Plan and the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or purchase of Shares granted to Directors or any Shares which may be bought back by the Company pursuant to the general mandate given to the Directors for the repurchase of Shares as referred to below or otherwise.

### **Ranking**

The Offer Shares will rank equally with all other Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares including any capitalisation issue declared, made or paid after the date of this prospectus except that they will not qualify for Shares to be issued under the Capitalisation Issue.

### **Pre-IPO Share Option Plan and Share Option Scheme**

The Company has put in place the Pre-IPO Share Option Plan and has conditionally granted options thereunder to a number of grantees, being directors, senior management and employees of the Group. A summary of the main terms of the Pre-IPO Share Option Plan and particulars of the options granted are set out in the paragraph headed "Share Option Schemes" in Appendix IV to this prospectus. No further options will be granted under the Pre-IPO Share Option Plan after the Listing Date.

The Company has conditionally adopted the Share Option Scheme. A summary of the main terms of the Share Option Scheme is set out in the section headed "Share Option Schemes" in Appendix IV to this prospectus.

Under the Share Option Scheme, full-time employees or executive directors of the Group may be granted options which entitle them to subscribe for Shares representing up to a maximum of, when aggregated with any securities subject to any other share option scheme(s) of the Company, 30% of the issued share capital of the Company from time to time (excluding (i) any Shares issued pursuant to the Share Option Scheme and any other share option schemes of the Company (including the Pre-IPO Share Option Plan); and (ii) any pro rata entitlements to further Shares issued in respect of those Shares mentioned in (i)).

## SHARE CAPITAL

### General mandate to allot and issue Shares

Upon the Share Offer becoming unconditional, the Directors have been granted a general unconditional mandate to allot and issue and deal with Offer Shares, (otherwise than by way of rights issue, scrip dividend or subscription arrangement or pursuant to the exercise of any options which may be granted under the Pre-IPO Share Option Plan and the Share Option Scheme or an allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, the Placing or the Capitalisation Issue) with an aggregate nominal amount of not more than the sum of:

1. 20% of the aggregate nominal amount of the Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (such share capital shall include the Shares which may be issued pursuant to the exercise of the Over-allotment Option); and
2. the aggregate nominal amount of the Shares repurchased by the Company (if any) pursuant to the general mandate to repurchase Shares as referred to below.

The Directors may, in addition to Shares which they are authorised to issue under the above mandate, allot and issue Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of options granted under the Pre-IPO Share Option Plan and the Share Option Scheme.

This mandate will expire:

- at the end of the Company's next annual general meeting; or
- at the end of the period within which the Company is required by law or the Articles of Association to hold its next annual general meeting; or
- 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 mandate, please see the paragraph headed "Written resolutions of the shareholders of the Company" in the section headed "Further Informations about the Company" in Appendix IV to this prospectus.

Under the GEM Listing Rules, an issue of securities for cash to a connected person (as defined in the GEM Listing Rules) pursuant to a general mandate to allot and issue shares is only permitted in, among other circumstances, the following circumstances:

- (a) the connected person receives a pro rata entitlement to securities in its capacity as shareholder;
- (b) securities are issued under the employee share option scheme;
- (c) the connected person is acting as underwriter or sub-underwriter in an issue of securities by the listed issuer; and
- (d) securities are issued to a connected person within 14 days after such connected person has executed an agreement to reduce its holding in that class of securities by placing securities to a third person who is not an associate.

## SHARE CAPITAL

### General mandate to repurchase Shares

Conditional on the Share Offer becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares (including to determine the manner of repurchase) with a total nominal value of not more than 10% of the total nominal amount of the Shares in issue and to be issued immediately following completion of the Share Offer and the Capitalisation Issue (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on GEM, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC 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 section headed “Repurchase by the Company of its own securities” in the section headed “Further Information about the Company” in Appendix IV to this prospectus.

This mandate will expire:

- at the end of the Company’s next annual general meeting; or
- at the end of the period within which the Company is required by law or the Articles of Association to hold its next annual general meeting; or
- 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 mandate, please see the paragraph headed “Written resolutions of the shareholders of the Company” in the section headed “Further information about the Company” in Appendix IV to this prospectus.

## FINANCIAL INFORMATION

### OVERVIEW

The details below should be read in conjunction with the selected financial information of the Company as set out in Appendix I to this prospectus.

The Group is principally engaged in the provision of comprehensive real time online trading solutions to brokers and other financial institutions in the Pan-Asia region. Its principal revenue includes messaging fee, hook up fee and data management fee from online trading services, system customisation fee from IT consultancy work for clients, sales of back office system, maintenance fees, content management and subscription fee.

The implementation of the operations involves substantial capital expenditure and software development costs, and from time to time, the management will monitor the returns on capital investments before the commencement of development phase of each business and operation. The high capital expenditure will follow the commencement of the operations of the different markets. As a result, the Group's operating results from operations are typically adversely affected by the significantly higher depreciation charges.

### TRADING RECORDS

Trading records of the Group are set out in the paragraph headed "Financial analysis on the audited results for the period from 24th September, 1999 to 30th September, 2000 and the four month period ended 31st January, 2001" in the section headed "History and active business pursuits" in this prospectus.

### ACCOUNTANTS' REPORT COVERING AT LEAST TWO FINANCIAL YEARS

**According to Rules 7.03(1) and 11.10 of the GEM Listing Rules, the Company is required to include its financial results in the accountants' report covering at least the two financial years immediately preceding the issue of the listing document.**

**As the financial year of the Group ends on 30th September, and this prospectus includes the results of the Company covering the period from 24th September, 1999 to 30th September, 2000 and the four month period ended 31st January, 2001, the Directors consider that strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules would be impractical and unduly burdensome.**

**The Company has therefore applied for a waiver from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules from the Stock Exchange. The Stock Exchange has granted waivers in relation to strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules such that the accountants' report covers only the period from 24th September, 1999 to 30th September, 2000 and the four month period ended 31st January, 2001.**

**The Directors confirm that they have performed sufficient due diligence on the Group to ensure that up to the date of issue of this prospectus, there has been no material adverse change in the financial position of the Group since 1st February, 2001 and up to Latest Practicable Date, and there is no event which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.**

## FINANCIAL INFORMATION

### INDEBTEDNESS

#### Borrowings

As at the close of business on 31st January, 2001, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the Group has aggregate outstanding obligations under finance leases of approximately HK\$718,000.

#### Commitments

As at 31st January, 2001, the Group has a financial commitment in respect of a capital contribution into a jointly controlled entity to be incorporated in the Republic of the Philippines of PHP12.5 million (approximately HK\$1,984,000).

#### Contingent liabilities

- (a) One of the Company's third party suppliers ("Supplier") charged the Company a sum of approximately HK\$8,395,000 in respect of work performed by the Supplier of which approximately HK\$2,635,000 has been paid. As at 31st January, 2001, the Company has not provided for the outstanding service fee of approximately £489,000 (approximately HK\$5,760,000) which is currently in dispute with the Supplier. On the basis of the Company's own assessment of the services rendered by the supplier and professional legal advice, the directors of the Company are of the opinion that such charges are unreasonable and not justifiable under the agreement with the Supplier and intend to challenge the charges on the above grounds. Consequently no provision has been made by the Group as at 31st January, 2001. A threatened claim was made by the Supplier against the Company on 30th November, 2000 for the unpaid invoices for the work done between April and September 2000.
- (b) On 11th January, 2001, legal proceedings were initiated by Lane Ventures Limited ("Claimant") alleging that the Company had promised to pay a monthly remuneration to the Claimant, to reimburse the Claimant's related travelling expenses and to grant certain options to the Claimant to purchase shares in the Company in consideration of the Claimant rendering its consultancy services to the Company. In the said proceedings, the Claimant is, among other things, claiming from the Company an amount of approximately HK\$473,000 and an order that the Company grant the options as mentioned above to the Claimant. A defence has been filed by the Company. On the basis of the information available to date, the Directors of the Company are of the view that no agreement exists between the Claimant and the Company. On the basis of the legal advice received, the Company has a reasonable chance to defend itself against the allegation successfully. Consequently no provision has been made by the Group as at 31st January, 2001.

Certain shareholders of the Company had pursuant to a deed of indemnity dated 22nd March, 2001 given joint and several indemnities in favour of the Group in relation to any loss and damages suffered by the Group in connection with the threatened claim and the legal proceeding set out in (a) and (b) above.

#### Disclaimer

Save as aforesaid and apart from intra-group liabilities, the Group did not have, at the close of business on 31st January, 2001, any outstanding loan capital or debentures, mortgages, charges, bank overdrafts, liabilities under acceptances or other similar indebtedness, finance lease commitments, guarantees or other material contingent liabilities.

## FINANCIAL INFORMATION

Subsequent to 31st January, 2001, the Company entered into an agreement with iVentures on 12th February, 2001 whereby the parties thereto agreed to form a joint venture company under laws of the Republic of Philippines to engage in the business of establishing a software research and development center and the Company will hold not more than 70% of shareholding in such company with equity contribution of not more than PHP17.5 million (approximately HK\$2.78 million).

On 1st March, 2001, the Company entered into an agreement with CSP under which CSP has granted a non-exclusive licence to the Company to use, to further develop and to distribute INTS and/or ITS and other related software in Thailand. In consideration of the grant of such licence, the Company shall pay a one-off licence fee of US\$500,000 (approximately HK\$3.9 million) to CSP by five instalments. The first instalment of 10% shall be paid on early April 2001, another two instalments of 20% each shall respectively be paid on early May and June 2001 and the remaining two instalments of 30% and 20% each shall respectively be paid upon the successful completion of acceptance test of the system and upon the date when the system is accepted by the first customer. Further CSP shall be entitled to certain percentage of any Company's revenue generated from distribution of the system to end-users. Under the agreement, CSP undertakes that it will release the source code of the system to the Company for further development and use for the Thai market after payment of not less than 40% of the said one-off licence fee by the Company. There is no long-stop date under the agreement.

Save as aforesaid, the Directors have confirmed that, save as disclosed above, there have been no material changes in the indebtedness or contingent liabilities of the Group since 31st January, 2001.

### **RULES 17.15 TO 17.21 OF THE GEM LISTING RULES**

The Directors have confirmed that as at the Latest Practicable Date, they are 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.

### **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

#### **Net current assets**

As at 31st January, 2001, the Group had net current assets of approximately HK\$12,835,000. The current assets comprised cash and bank balances of approximately HK\$8,237,000, pledged deposit of approximately HK\$700,000, accounts receivable, prepayments, deposits and other receivable of approximately HK\$5,819,000 and work-in-progress of approximately HK\$331,000. Current liabilities comprised accounts payable, accruals and other payables of approximately HK\$1,926,000 and obligations under finance leases of HK\$326,000.

#### **Capital structure**

As at 31st January, 2001, the Group had net assets of approximately HK\$22,954,000 comprising fixed assets of approximately HK\$10,511,000, current assets of approximately HK\$15,087,000, current liabilities of approximately HK\$2,252,000 and non-current liabilities of approximately HK\$392,000.

## **FINANCIAL INFORMATION**

### **Bank facilities**

As at the close of business on 31st January, 2001, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, a fixed deposit of HK\$700,000 has been pledged to secure the banking guarantee granted by a bank to the Group for obtaining the finance lease arrangements from the finance lease creditor.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding liability at the close of business on 31st January, 2001 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities.

### **FOREIGN EXCHANGE RISK**

Some jurisdictions in Asia have currency conversion control. As the Group intends to develop its ASP business throughout Asia, it may face difficulties in converting revenue and dividends denominated in those jurisdictions' currencies into Hong Kong dollars, and transferring funds from those jurisdictions to Hong Kong.

### **PROPERTIES**

The Group does not own any property. Sallmanns, an independent property valuer, has valued the two tenancies taken out by the Group as at 31st January, 2001. Details of the valuations and the text of a letter, summary of values and the valuation certificates from Sallmanns are set out in Appendix II to this prospectus.

### **DIVIDENDS AND WORKING CAPITAL**

#### **Dividends**

Under the Companies Ordinance, dividends may be paid only out of a company's profits available for distribution. For this purpose, profits available for distribution mean accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less accumulated, realised loss, so far as not previously written off in a reduction or reorganisation of capital duly made.

The Company was incorporated on 24th September, 1999. As at 31st January, 2001, the Company had accumulated losses of approximately HK\$19,247,000. The Company has been making losses since its incorporation. The Company has not declared or paid any dividends for the period from 24th September, 1999 to 30th September, 2000 and the four month period ended 31st January, 2001.

The Directors do not anticipate paying dividends in the foreseeable future. The Directors anticipate that all earnings in the foreseeable future will be retained to finance the continuing development of its business. However, future dividends, if any, will be declared or paid at the discretion of the Board of Directors and the amount is subject to the shareholders' approval. The amounts of dividends actually paid to holders of the Shares will depend upon a number of factors including the Group's earnings, capital requirements, general financial condition and any factors considered relevant by the Board of Directors.

## FINANCIAL INFORMATION

### Working Capital

The Directors are of the opinion that with the financial resources available to the Group including the expected net operating cash inflow and the net proceeds of the Share Offer (not including any proceeds from the exercise of the Over-allotment Option), the Group has sufficient working capital to satisfy its present requirements.

### DISTRIBUTABLE RESERVES

As at 31st January, 2001, the Company had no distributable reserves.

### ADJUSTED NET TANGIBLE ASSETS

The following is a statement of the adjusted net tangible assets of the Group which is based on the net assets of the Group as at 31st January, 2001 as shown in the accountants' report, the text of which is set out in Appendix I to this prospectus, adjusted as follows:

	<b>Based on an Offer Price of HK\$0.64 per Share HK\$'000</b>	<b>Based on an Offer Price of HK\$0.70 per Share HK\$'000</b>
Audited net tangible assets of the Group as at 31st January, 2001	22,954	22,954
Estimated net proceeds of the Share Offer not including any proceeds from the exercise of the Over-allotment Option ( <i>Note 1</i> )	47,358	52,542
Adjusted net tangible assets	<u>70,312</u>	<u>75,496</u>
Adjusted net tangible assets value per Share ( <i>Note 2</i> )	<u>HK\$0.16</u>	<u>HK\$0.17</u>

*Notes:*

1. The estimated net proceeds of the Share Offer is based on the Offer Price and takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the estimated net proceeds of the Share Offer will be approximately 59 million assuming an Offer Price of HK\$0.67 per Share (being the mid-point of the stated range of the Offer Price between HK\$0.64 and HK\$0.70 per Share).
2. The adjusted net tangible assets value per Share has been arrived at after making the adjustments referred to in this section and on the basis of a total of 450,000,000 Shares expected to be in issue immediately following completion of the Share Offer but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or which may be allotted and issued or purchased by the Company pursuant to the general mandates for the allotment and purchase of Shares described in the paragraph headed "Resolutions in writing of all the shareholders of the Company passed on 14th March, 2001" in Appendix IV to this prospectus.

### NO MATERIAL ADVERSE CHANGE

Save as disclosed herein, the Directors are not aware of any material adverse change in the financial or trading position or prospects of the Group since 31st January, 2001, the date to which the latest audited financial statements of the Group were made up.

# UNDERWRITING

## UNDERWRITERS

### Placing Underwriters

First Shanghai Capital Limited  
TradingGuru.com Securities Limited  
Kingston Securities Limited  
Nomura International (Hong Kong) Limited  
JS Cresvale International Limited  
Emperor Securities Limited  
GC Securities Limited  
Young Champion Securities Limited  
HT Securities Limited

### Public Offer Underwriters

First Shanghai Capital Limited  
TradingGuru.com Securities Limited  
JS Cresvale International Limited  
Young Champion Securities Limited  
HT Securities Limited  
Guotai Junan Securities (Hong Kong) Limited  
South China Securities Limited

## UNDERWRITING ARRANGEMENTS AND EXPENSES

### Underwriting Agreement

Pursuant to the Underwriting Agreement, the Company is offering the Offer Shares for subscription on and subject to the terms and conditions of this prospectus and the related application forms at the Offer Price per Share.

Subject to the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Shares (subject only to allotment and issue of the Offer Shares) not later than 23rd April, 2001 and to certain other conditions set out in the Underwriting Agreement, (i) the Public Offer Underwriters have severally agreed to subscribe or procure subscribers to subscribe for the Public Offer Shares, and (ii) the Placing Underwriters have severally agreed to subscribe, or procure subscribers to subscribe for the Placing Shares.

### Grounds for termination

The obligations of the Underwriters to subscribe or procure subscribers for the Offer Shares will be subject to termination if any of the following events occur prior to 9:30 a.m. on 4th April, 2001:

- (a) there is any material adverse change in the business or in the financial or trading position of any member of the Group which in the sole and absolute opinion of First Shanghai is material in the context of the Public Offer and/or Placing; or
- (b) (i) any event or series of events concerning or relating to or otherwise having an effect on, or any change or prospective change (whether or not permanent) in, Hong Kong, the PRC, the British Virgin Islands or international financial,

## UNDERWRITING

political, industrial, economic, currency, military, legal, fiscal, exchange control, regulatory, stock or other financial market or other conditions, circumstances or matters, whether or not of the same kind with any of the foregoing (including without limitation any moratorium on or suspension of commercial banking activities or trading in securities on the Main Board or GEM) shall have occurred, happened or come into effect; or

- (ii) any new law or regulation or 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, PRC, the British Virgin Islands or any other jurisdiction relevant to the Group shall have been introduced or effected; or
- (iii) any event, act or omission which gives rise or is likely to give rise to any material liability of the Company pursuant to the indemnities contained in the Underwriting Agreement; or
- (iv) the imposition of economic or other sanctions by the United States, the European Community or any other country or organisation on Hong Kong or the PRC; or
- (v) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout shall have occurred, happened or come into effect; or
- (vi) there is, in the sole and absolute opinion of First Shanghai, a material change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States; or
- (vii) there is, in the sole and absolute opinion of First Shanghai, a material change in the exchange rate between the United States dollars and the Renminbi, or between Hong Kong dollars and the Renminbi; or
- (viii) any litigation or claim of material importance being threatened or instituted against any members of the Group,

which will or may in the sole and absolute opinion of First Shanghai be materially adverse to or materially prejudicially affect the Group or its prospects or the Public Offer or the Placing or the success thereof or which makes it inappropriate, inadvisable or inexpedient to proceed with the Public Offer and/or Placing; or

- (c) any of the Underwriters shall become aware of the fact that, or have reasonable cause to believe that:
  - (i) any of the warranties given by the Warrantors under the Underwriting Agreement was untrue, inaccurate or misleading, or that any of the Warrantors is in breach of any provision of the Underwriting Agreement;
  - (ii) any statement contained in this prospectus and the application forms has become or been discovered to be untrue, incorrect or misleading in any material respect, or any matter has arisen or has been discovered which would, if this prospectus and the application forms were to be issued at that time, constitute a material omission therefrom.

## UNDERWRITING

Each of the Warrantors (being certain initial management shareholders of the Company) has jointly and severally given non-disposal undertakings, details of which are described in the section headed “Substantial, initial management and significant shareholders” of this prospectus.

The Company has undertaken to and covenanted with each of the Underwriters, and each of the Warrantors has undertaken to and covenanted with each of the Underwriters to procure, that the Company will not, save as mentioned in this prospectus and save pursuant to the Share Option Scheme and the Pre-IPO Share Option Plan or the exercise of the Over-allotment Option or any option granted under the Share Option Scheme or the Pre-IPO Share Option Plan or any capitalisation issue to be effected after the Listing Date, allot or issue any shares or other securities of the Company or any of its subsidiaries or agree conditionally or unconditionally to allot or issue or grant or agree to grant options over any shares or other securities of the Company or any of its subsidiaries or offer or agree to do any of the foregoing or announce any intention to do so during the First Relevant Lock-up Period without the prior written consent of First Shanghai (for itself and on behalf of the Underwriters).

### **Commission and expenses**

The Underwriters will receive a commission of 4.00% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commission, and First Shanghai will in addition receive a documentation fee in relation to the Share Offer. The underwriting commission, documentation fee, Stock Exchange transaction levy, brokerage, legal, accounting and other expenses in relation to the Share Offer are currently estimated to be about HK\$10 million (assuming an Offer Price of HK\$0.67 per Share (being the mid-point of the indicative range of the Offer Price of between HK\$0.64 and HK\$0.70 per Share) and assuming the Over-allotment Option is not exercised) and are payable by the Company.

### **Underwriters’ interests in the Company**

Save pursuant to the Underwriting Agreement and save as otherwise disclosed in this prospectus (including without limitation the disclosures in the paragraphs headed “Number of contracts secured” on pages 61 and 63 and “Technology partners” on pages 82 and 83 of this prospectus), none of the Underwriters has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

### **Sponsor’s interests in the Company**

Save pursuant to the Underwriting Agreement and save as disclosed in the section headed “Further information about Directors, Senior Management and Staff” in Appendix IV to this prospectus and otherwise disclosed in this prospectus, none of First Shanghai or any of its associates is interested beneficially or non-beneficially in any shares in any member of the Group has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any share in any member of the Group.

Pursuant to a non-binding memorandum of understanding dated 4th July, 2000 and entered into between the Company and First eFinance Limited (“First eFinance”), a fellow subsidiary of First Shanghai Capital Limited, the parties have agreed to, among other things, enter into good faith negotiations with a view to concluding and executing such formal co-operation agreement(s) and other related documents containing provisions for, inter alia, the provision of services by the

## UNDERWRITING

Company to eFinance for the purpose of carrying out cross border securities trading transactions and the fee to be charged by the Company thereon. As at the Latest Practicable Date, HK\$9,180 had been paid by First eFinance to the Company for the services offered to First eFinance by the Company.

First Shanghai and the Company have agreed that, after the Listing Date, First Shanghai and the Company will enter into a sponsor's agreement pursuant to which First Shanghai will fulfil its continuing obligations as a sponsor under Rules 6.50 to 6.58 of the GEM Listing rules for a period up to 30th September, 2003 subject to terms and conditions to be agreed between the parties thereto.

No director or employee of First Shanghai 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 any other company 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).

Neither First Shanghai nor its associates has accrued any material benefit as a result of the successful outcome of the Share Offer, including by way of example, the repayment of material outstanding indebtedness or success fees other than the following:

- (i) by way of underwriting and placing commission to be paid to First Shanghai for acting as one of the Underwriters pursuant to the Underwriting Agreement;
- (ii) the advisory and documentation fees to be paid to First Shanghai as sponsor of the Placing;
- (iii) by way of a sponsor's agreement to be entered into between First Shanghai and the Company as aforesaid pursuant to which First Shanghai will be appointed as the sponsor of the Company for the remainder of the financial year of the Group ending 31st March, 2001 and for the period of two years commencing from 1st April, 2001 and the Company shall pay an agreed fee to First Shanghai for its provision of such services; and
- (iv) certain associates of First Shanghai, whose ordinary business involves the trading of and dealing in securities, may be involved in the trading of and dealing in the securities in the Company.

No director or employee of First Shanghai has a directorship in the Company or any other company in the Group.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### PRICE PAYABLE ON APPLICATION

The maximum Offer Price of HK\$0.70 per Share plus 1.0% brokerage and 0.01% Stock Exchange transaction levy amounts to a total of HK\$2,828.28 per board lot of 4,000 Offer Shares is payable in full on application.

If the Offer Price, as finally determined in the manner as set out below, is lower than the maximum price of HK\$0.70, appropriate refund payments will be made. Further details are set out in the section headed “How to apply for the Public Offer Shares” in this prospectus.

### PRICING

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Placing Shares in the Placing. Prospective investors will be required to specify the number of Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to end on or about, 26th March, 2001.

The Offer Price will be fixed by agreement between the Company and First Shanghai at or before the Price Determination Time, which is currently scheduled at 5:00 p.m. on 28th March, 2001 or by the latest 12:00 noon on 29th March, 2001. If First Shanghai (on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price by 12:00 noon on 29th March, 2001, the Share Offer will not become unconditional and will lapse.

The Offer Price will not be more than HK\$0.70 per Share and is currently expected to be not less than HK\$0.64 per Share. **Prospective investors should be aware that the Offer Price to be determined at or before the Price Determination Time may be, but is currently not expected to be, lower than the indicative range of the Offer Price stated in this prospectus.**

If, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, First Shanghai (on behalf of the Underwriters and with the consent of the Company) considers it appropriate (for instance, if the level of interest is below the indicative Offer Price range), the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the Price Determination Time. In such a case, the Company shall, as soon as practicable following the decision to make such reduction, and in any event not later than 30th March, 2001 cause there to be published in the South China Morning Post in English and the Hong Kong Economic Times in Chinese and on the GEM web-site notice of the reduction of the indicative Offer Price range. **Applicants should have regard to the possibility that any announcement of a reduction in the indicative range of the Offer Price may not be made until after the last day for lodging applications under the Public Offer.** Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the offer statistics, as currently set out in the paragraph headed “Summary” in this prospectus and any other financial information which may change as a result of any such reduction. **Applicants under the Public Offer should note that in no circumstances can applications be withdrawn once submitted, even if the indicative Offer Price range and/or the Offer Price is reduced.**

**If First Shanghai (on behalf of the Underwriters) and the Company are unable to reach agreement on the Offer Price, the Share Offer will not become unconditional and will lapse.**

## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

The net proceeds from the issue of the Offer Shares (excluding any proceeds from the exercise of the Over-allotment Option), assuming that the Over-allotment Option is not exercised and an Offer Price of HK\$0.67 per Share (being the mid-point of the stated range of the Offer Price of between HK\$0.64 and HK\$0.70 per Share) and after deducting commissions and expenses, are estimated to be about HK\$50 million.

If the Over-allotment Option is exercised in full and assuming an Offer Price of HK\$0.67 per Share (being the mid-point of the stated range of the Offer Price of between HK\$0.64 and HK\$0.70 per Share), the Company would receive additional net proceeds from issue of new Shares, after deducting commissions and expenses attributable to the exercise of the Over-allotment Option, of about HK\$9 million.

The Offer Price and level of interest for the Share Offer are expected to be published in the South China Morning Post in English and Hong Kong Economic Times in Chinese, as well as on the GEM website on or before Tuesday, 3rd April, 2001. If for any reason the Price Determination Time is changed, the Company will as soon as practicable cause to be published in the South China Morning Post and the Hong Kong Economic Times and on the GEM website notice of the change, and if applicable, the revised date.

### **CONDITIONS OF THE SHARE OFFER**

Acceptance of applications for the Offer Shares in the Share Offer are conditional upon:

1. the GEM Listing Committee granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including Shares which may fall to be issued upon the exercise of the Over-allotment Option and any options under the Share Option Scheme and/or the Pre-IPO Share Option Plan); and
2. 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 First Shanghai on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise,

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 23rd April, 2001.

If these conditions are not fulfilled (or, where applicable, waived by First Shanghai (on behalf of the Underwriters)) on or before the day which is the 30th day after the date of this prospectus, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be caused to be published by the Company in the South China Morning Post in English and the Hong Kong Economic Times in Chinese and on the GEM website on the next day following such lapse. In the above eventuality, your application monies will be returned to you, without interest. The terms on which your money will be returned to you are set out in the section headed “Refund of your money” on the application form.

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

## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

Share certificates for the Offer Shares will be issued on or about 4th April, 2001 and will become valid certificates of title upon their issue provided that (i) the Share Offer has become unconditional and (ii) the right of termination as described under “Underwriting – Grounds for termination” has not been exercised prior thereto.

### **THE SHARE OFFER**

The Share Offer comprises 90,000,000 Shares initially offered by the Company by way of Placing and Public Offer (assuming the Over-allotment Option is not exercised). A total of 81,000,000 Placing Shares, representing 90% of total number of Shares initially available under the Share Offer, will initially be offered under the Placing to professional, institutional and/or other investors in Hong Kong. A total of 9,000,000 Public Offer Shares, representing 10% of total number of Shares initially available under the Share Offer, will initially be offered under the Public Offer.

Investors may apply for Shares under the Public Offer or indicate an interest for Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and/or other investors. The Placing will involve selective marketing of the Placing Shares to institutional, professional and/or other investors, which are anticipated to have a sizeable demand for such Shares. Professional investors generally include brokers, dealers, 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.

Assuming the Over-allotment Option is not exercised, the Offer Shares will represent 20% of the Company’s enlarged issued share capital immediately after completion of the Share Offer and Capitalisation Issue.

If the Over-allotment Option is exercised in full, the Shares comprised in the Share Offer will represent approximately 22.3% of the enlarged issued share capital of the Company immediately after completion of the Share Offer, the Capitalisation Issue and the exercise of the Over-allotment Option.

The Offer Shares are fully underwritten by the Public Offer Underwriters and the Placing Underwriters on several basis and are subject to conditions set out in the section headed “Underwriting” of this prospectus.

### **THE PUBLIC OFFER**

The Company is offering 9,000,000 Public Offer Shares at the Offer Price for subscription, representing 10% of the Offer Shares (excluding any Shares which may be allotted and issued upon any exercise of the Over-allotment Option) being offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Underwriting Agreement.

The Public Offer is open to all members of the public as well as to institutional and professional investors in Hong Kong. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application form submitted by him that he has not taken up any Shares under the Placing nor otherwise participated in the Placing, and such applicant’s application will be rejected if the said undertaking and confirmation are not complied with and/or untrue (as the case may be). The Public Offer will be subject to the conditions stated

## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

in the paragraph headed “Conditions of the Share Offer” above. The attention of applicants, including nominees who wish to submit separate applications on behalf of different beneficial owners, is drawn to the information regarding multiple applications contained in the section headed “How to apply for the Public Offer Shares” of this prospectus. Multiple or suspected multiple applications and any application for more than 100% of the Public Offer Shares initially being offered for subscription pursuant to the Public Offer are liable to be rejected.

### **THE PLACING**

The Company is initially offering 81,000,000 Shares (excluding any Shares which may fall to be allotted and issued upon any exercise of Over-allotment Option) for subscription by way of the Placing, representing 90% of the total number of Shares initially being offered under the Share Offer. The Placing is fully underwritten by the Placing Underwriters subject to the terms and conditions of the Underwriting Agreement.

It is expected that the Placing Underwriters or agents nominated by them on behalf of the Company will conditionally place the Placing Shares at the Offer Price with professional, institutional and/or other investors in Hong Kong anticipated to have a sizeable demand for the Placing Shares. Professional and/or institutional investors generally include brokers, dealers, 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. In Hong Kong, retail investors should apply for the Public Offer Shares under the Public Offer, as retail investors applying for the Placing Shares (including applying through banks and other institutions) are unlikely to be allocated any Placing Shares.

The total number of Placing Shares to be allotted and issued pursuant to the Placing may change as a result of any exercise of the Over-allotment Option and reallocation as referred to in the paragraph headed “Reallocation of Offer Shares between the Public Offer and the Placing” below.

### **OVER-SUBSCRIPTION**

Allocation of Public Offer Shares to investors under the Public Offer will be based solely 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 allotted more Shares than others who have applied for the same number of Public Offer Shares and that applicants who are not successful in the ballot may not receive any Public Offer Shares.

Allocation of Placing Shares to professional, institutional and/or other investors will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the investor is likely to acquire further Shares, and/or hold or sell its Shares, after the listing of the Shares on the GEM. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid shareholder base for the benefit of the Company and its shareholders as a whole.

## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

### **REALLOCATION OF OFFER SHARES BETWEEN THE PUBLIC OFFER AND THE PLACING**

The allocation of the Offer Shares between the Public Offer and the Placing is subject to adjustment.

If the Public Offer is not fully subscribed, First Shanghai (on behalf of the Underwriters) has the authority to re-allocate all or any unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such proportions as it deems appropriate in accordance with the terms of the Underwriting Agreement. The number of Shares (if any) re-allocated from the Public Offer to the Placing together with the basis of allocation will be stated in the results announcement on the GEM website and in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), which is expected to be published on 3rd April, 2001.

First Shanghai (on behalf of the Underwriters) also has the authority to re-allocate all or any unsubscribed Placing Shares under the Placing to the Public Offer in such proportions as it deems appropriate in accordance with the terms of the Underwriting Agreement.

### **OVER-ALLOTMENT OPTION**

Pursuant to the Underwriting Agreement, the Company has granted First Shanghai (on behalf of the Underwriters) a right (but not an obligation) to exercise the Over-allotment Option at any time and from time to time within 30 days from the date of this prospectus. Pursuant to the Over-allotment Option, the Company may be required to issue and allot at the Offer Price up to an aggregate of 13,500,000 additional new Shares, representing 15% of the number of the Offer Shares initially available under the Share Offer. In order to facilitate settlement of over-allocations in connection with the Placing pending the exercise of the Over-allotment Option, a stock borrowing arrangement has been entered into between First Shanghai and Capital Speed. Pursuant to this arrangement, Capital Speed has agreed that, if so requested by First Shanghai, it will lend to First Shanghai up to 13,500,000 Shares on the following terms:

- (i) the borrowed Shares will only be used to settle over-allocations in the Placing; and
- (ii) the same number of Shares must be returned to Capital Speed and redeposited with the escrow agent, no later than three business days following the earlier of:
  - (a) the last day on which the Over-allotment Option may be exercised; and
  - (b) the date on which the Over-allotment Option is exercised in full.

An application has been made to the Stock Exchange for a waiver from strict compliance with the two year moratorium period on disposal of securities under Rule 13.16, in order to allow the Company to enter into this stock borrowing arrangement. Details of such waiver are set out in the section headed "Waivers from compliance with GEM Listing Rules" in this prospectus. First Shanghai may also cover such over-allocations by, amongst other means, purchasing Shares in the secondary market or by a combination of purchases in the secondary market and exercise of the Over-allotment Option either in full or in part. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations and the price of any such secondary market purchases shall not exceed the Offer Price. The Offer Shares will constitute 20.0 per cent. of the Company's issued share capital immediately before exercise of the Over-allotment Option

## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

and about 22.3 per cent. of the enlarged issued share capital of the Company immediately following the exercise of the Over-allotment Option. Pursuant to Rule 11.23(1) of the GEM Listing Rules, the Company will maintain at least 20 per cent. of its share capital in issue from time to time in the hands of the public at all times after listing. In the event that the Over-allotment Option is exercised, an announcement will be made in the South China Morning Post in English and the Hong Kong Economic Times in Chinese, and on the GEM website.

### **STABILISATION**

In connection with the Share Offer, First Shanghai (on behalf of the Underwriters) may over-allot up to an aggregate of 13,500,000 additional new Shares (such over-allocations may be covered by exercising the Over-allotment Option in full or in part, at any time and from time to time within 30 days from the date of this prospectus) and/or by purchasing Shares in the secondary market 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 transactions will be made in compliance with all applicable laws.

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise the underwriters may bid 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 prices of the securities. 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.

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. Should stabilising transactions be effected in connection with the distribution of the Offer Shares, they will be done at the direction and absolute discretion of First Shanghai. The stabilisation price to cover the over-allocation will not normally be higher than the Offer Price. Relevant provisions of the Securities Ordinance prohibit market manipulation in the form of pegging or stabilising the price of securities in certain circumstances.

## 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 to be issued in your own name.

Use a **YELLOW** application form if you want the Public Offer Shares to be 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.

*Note:* The Public Offer Shares are not available to any Directors or chief executive of the Company or existing shareholders of the Company or their respective associates.

### WHERE TO COLLECT THE APPLICATION FORMS

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

**Any participant of  
The Stock Exchange of Hong Kong Limited**

or

**First Shanghai Capital Limited  
19th Floor, Wing On House  
71 Des Voeux Road Central  
Hong Kong**

**TradingGuru.com Securities Limited  
Suite 1801, Regent Centre  
88 Queen's Road Central  
Hong Kong**

**JS Cresvale International Limited  
6th and 7th Floors, Asia Pacific Finance Tower  
Citibank Plaza, 3 Garden Road  
Central, Hong Kong**

**Young Champion Securities Limited  
Room 904-5, 9th Floor  
West Tower, Shun Tak Centre  
200 Connaught Road Central  
Central, Hong Kong**

**HT Securities Limited  
45th Floor, COSCO Tower  
183 Queen's Road Central  
Central  
Hong Kong**

**Guotai Junan Securities (Hong Kong) Limited  
Suite 2509-2510, Asia Pacific Finance Tower  
Citibank Plaza, 3 Garden Road  
Central, Hong Kong**

**South China Securities Limited  
28th Floor, Bank of China Tower  
No. 1 Garden Road  
Central, Hong Kong**

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

or any of the following branch or sub-branches of Bank of China

<b>Hong Kong Island:</b>	Hong Kong Branch	3rd Floor, 1 Garden Road, Central
	Central Sub-branch	Li Po Chun Chambers, 189 Des Voeux Road Central
	Wanchai Sub-branch	395 Hennessy Road, Wanchai
	North Point Sub-branch	G/F., Roca Centre, 464 King's Road, North Point
	Taikoo Shing Sub-branch	Hoi Sing Mansion, Taikoo Shing
<b>Kowloon:</b>	Tsim Sha Tsui Sub-branch	G/F., Houston Centre 63 Mody Road, Tsim Sha Tsui
	Yaumatei Sub-branch	471 Nathan Road, Yaumatei
	Kwun Tong Sub-branch	55 Hoi Yuen Road, Kwun Tong
<b>New Territories:</b>	Tsuen Wan Sub-branch	167 Castle Peak Road, Tsuen Wan
	Shatin Sub-branch	G/F., Lucky Plaza, Wang Pok Street, Shatin

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

**Depository Counter**  
**Hong Kong Securities Clearing Company Limited**  
**2nd Floor, Vicwood Plaza**  
**199 Des Voeux Road Central**  
**Hong Kong**

or

**Customer Service Centre**  
**Hong Kong Securities Clearing Company Limited**  
**Upper Ground Floor,**  
**V-Heun Building**  
**128–140 Queen's Road Central**

or your stockbroker may have forms available.

### 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 and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the application form.

If your application is made through a duly authorised attorney, the Company and First Shanghai, 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.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

In order for the **YELLOW** application forms to be valid:

- (a) If the application is made through a designated CCASS participant (other than a CCASS investor participant):
  - (i) the designated CCASS participant or its authorised signatories must sign in the appropriate box; and
  - (ii) the designated CCASS participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.
- (b) If the application is made by an individual CCASS investor participant:
  - (i) the application form must contain the investor participant's name and Hong Kong Identity Card number; and
  - (ii) the investor participant should insert its participant I.D. and sign in the appropriate box in the application form.
- (c) If the application is made by a joint individual CCASS investor participant:
  - (i) the application form must contain all joint investor participants' names and the Hong Kong Identity Card numbers of all of the joint investor participants; and
  - (ii) the participant I.D. should be inserted and the authorised signatory(ies) of the investor participant stock account should sign in the appropriate box in the application form.
- (d) If the application is made by a corporate CCASS investor participant:
  - (i) the application form must contain the investor participant's company name and Hong Kong Business Registration number; and
  - (ii) the participant I.D. and company chop (bearing the applicant's company name) endorsed by its authorised signatures should be inserted in the appropriate box in the application form.
- (e) Signature(s), number of signatories and form of chop, where appropriate, should match with the records kept by Hongkong Clearing. Incorrect or incomplete details of the CCASS participant or the omission or inadequacy of authorised signatory(ies) (if applicable), CCASS participant I.D. or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different owners are requested to designate on each application form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each such joint beneficial owner.

Each **WHITE** or **YELLOW** application form must be accompanied by either one cheque drawn on the applicant's Hong Kong dollar bank account in Hong Kong and bearing the account

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 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 first applicant) on the relevant application form. Any such cheque or banker's cashier order must be made payable as set out in the application form and crossed "Account Payee Only".

### HOW MANY APPLICATIONS MAY YOU MAKE

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

**You may make more than one application for the Public Offer Shares if you are a nominee.** You may lodge more than one application in your own name on behalf of different beneficial owners. In the box on the application form marked "For nominees" you must give 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 made for your benefit.

**Otherwise, multiple applications for the Public Offer Shares are not allowed.**

It will be a term and condition of all applications that by completing and delivering an application form, you give a warranty to the following effect that:

- no other application is made for your benefit by you or by anyone applying as your agent or by any other person, if the application is made for your benefit; and
- if the application is made by you as agent for the benefit of another person, no other application is being made by you as agent for or for the benefit of that person or by that person or by other person as agent for that person; and you are duly authorised to sign the application as agent for the person who is benefit from the application.

**All** of your applications for the Public Offer Shares will be rejected as multiple applications if you, or you and joint applicants together:

- make more than one application on a **WHITE** or **YELLOW** application form; or
- apply on one **WHITE** or **YELLOW** application form for more than 100% of the Public Offer Shares being offered under the Public Offer.

**All** of your applications for the Public Offer Shares 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

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

then that application will be deemed to be made for your benefit.

*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 of 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 OFFER SHARES

You must pay the Offer Price of HK\$0.70 per Share together with brokerage of 1% and the Stock Exchange transaction levy of 0.01% in full when you apply for the Public Offer Shares. This means that for every board lot of 4,000 Shares, you will have to pay HK\$2,828.28. The application forms have tables showing the exact amount payable for certain multiples of Public Offer Shares.

You must pay the Offer Price, brokerage and the Stock Exchange transaction levy in full when you apply for the Public Offer Shares. Your payment must be made by cheque or banker's cashier order and must comply with the terms in the application forms.

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

If the Offer Price as finally determined is less than HK\$0.70 per Share, appropriate refund payment (including the brokerage and the Stock Exchange transaction levy attributable to the surplus application monies) will be made to successful applicants without interest.

### TIME FOR APPLYING FOR THE PUBLIC OFFER SHARES

Completed **WHITE** or **YELLOW** application forms, with payment in Hong Kong dollars for the full amount payable on application attached, must be lodged **by 12:00 noon on Wednesday, 28th March, 2001**, or, if the application lists are not open on that day, then by 12:00 noon on the next business day the lists are open.

Your completed application form, with payment in Hong Kong dollars for the full amount payable on application attached, should be deposited in the special collection boxes provided at any of the following branch or sub-branches of Bank of China:–

<b>Hong Kong Island:</b>	Hong Kong Branch	3rd Floor, 1 Garden Road, Central
	Central Sub-branch	Li Po Chun Chambers, 189 Des Voeux Road Central
	Wanchai Sub-branch	395 Hennessy Road, Wanchai
	North Point Sub-branch	G/F., Roca Centre, 464 King's Road, North Point
	Taikoo Shing Sub-branch	Hoi Sing Mansion, Taikoo Shing

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

<b>Kowloon:</b>	Tsim Sha Tsui Sub-branch	G/F., Houston Centre 63 Mody Road, Tsim Sha Tsui
	Yaumatei Sub-branch	471 Nathan Road, Yaumatei
	Kwun Tong Sub-branch	55 Hoi Yuen Road, Kwun Tong
<b>New Territories:</b>	Tsuen Wan Sub-branch	167 Castle Peak Road, Tsuen Wan
	Shatin Sub-branch	G/F., Lucky Plaza, Wang Pok Street, Shatin

at the following times:

<b>Friday, 23rd March, 2001</b>	–	<b>9:00 a.m. to 4:00 p.m.</b>
<b>Saturday, 24th March, 2001</b>	–	<b>9:00 a.m. to 12:00 noon</b>
<b>Monday, 26th March, 2001</b>	–	<b>9:00 a.m. to 4:00 p.m.</b>
<b>Tuesday, 27th March, 2001</b>	–	<b>9:00 a.m. to 4:00 p.m.</b>
<b>Wednesday, 28th March, 2001</b>	–	<b>9:00 a.m. to 12:00 noon</b>

The application lists will open **from 11:45 a.m. to 12:00 noon on Wednesday, 28th March, 2001.**

No proceedings will be taken on applications for the Public Offer Shares, and no allotment and issue of any such Public Offer Shares will be made until the closing of the application lists. No allotment and issue of any such Public Offer Shares will be made later than Monday, 23rd April, 2001.

### EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not 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 Wednesday, 28th March, 2001. The application lists will open between 11:45 a.m. and 12:00 noon on the next business day provided that no such warning signals being hoisted at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

**Business day** means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

### CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

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

- (a) **If at the discretion of the Company or its agent, your application is rejected:**

The Company and First Shanghai (on behalf of the Underwriters), as agent for the Company, have full discretion to reject or accept an application, or to accept only part of any application.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

The Company and First Shanghai in its capacity, as agent for the Company do not have to give any reason for any rejection or acceptance.

**(b) On the occurrence of circumstances resulting in your application may be rejected:**

Your application will be rejected if:

- (i) it is a multiple or a suspected multiple application;
- (ii) your application form is not filled in correctly in all respects in accordance with the instructions stated thereon;
- (iii) you or the person for whose benefit you are applying have been allotted Placing Shares;
- (iv) your payment is not in the correct form; or
- (v) you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation.

**(c) If your application is not accepted:**

Your application will not be accepted if :

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

**(d) If you revoke your application:**

By completing an application form, you agree that you cannot revoke your application before the fifth day (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) after the time of the opening of the application lists unless 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.

This agreement will take effect as a collateral contract with the Company and will become binding when you lodge your application form. This collateral contract will be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before Wednesday, 4th April, 2001 except by means of one of the procedures referred to in this prospectus.

If your application has been accepted, it cannot be revoked. Acceptance of application will be constituted by notification in the press of the results of allocation and, where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to satisfaction of such conditions or the results of such ballot, respectively.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

### (e) If the allotment of the Public Offer Shares is void:

Your allotment of the Public Offer Shares 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 from the closing of the application lists if the GEM Listing Committee notifies the Company of that longer period within three weeks from the closing of the application lists.

### DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND CHEQUES

If an application is rejected, not accepted or accepted only in part, and/or the Offer Price is set below the initial price per Offer Share paid on application or if the conditions of the Share Offer described under the paragraph headed “Conditions of the Share Offer” in the section headed “Structure and conditions of the Share Offer” of this prospectus are not fulfilled in accordance with their terms or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage and Stock Exchange transaction levy, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application money where appropriate.

In due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the application form a refund cheque or refund cheques crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the initial price per Share paid on application in the event that the Offer Price is less than the initial price per Share paid on application, in each case including brokerage at the rate of 1% and a Stock Exchange transaction levy of 0.01% but without interest.

Subject as mentioned above, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applicants and share certificates for successful applicants under **WHITE** application forms are expected to be posted on Wednesday, 4th April, 2001. The right is reserved to retain any share certificates and any surplus application monies pending clearance of cheque(s).

### **WHITE application forms:**

If you have applied for 1,000,000 Public Offer Shares or more and have indicated on your application form that you wish to collect your share certificate(s) and/or refund cheque(s) (where applicable), you may collect it/them in person from the Company’s share registrar:

Abacus Share Registrars Limited  
Room 2401  
Prince’s Building  
Central  
Hong Kong

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Share certificate(s) and/or refund cheques (if any) will be available for collection between 9:00 a.m. and 1:00 p.m. on Wednesday, 4th April, 2001.

Applicants being individuals who opt for personal collection cannot 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' chop. Both individuals and authorised representatives (if applicable) must produce at the time of collection evidence of identity acceptable to Abacus Share Registrars Limited.

If you do not collect your share certificate(s) and/or refund cheques (if any), within the time limit specified above, they will be sent to the address on your application form shortly on or after Wednesday, 4th April, 2001, by ordinary post and at your own risk.

If you have applied for 1,000,000 Public Offer Shares or more and have not indicated on your application form that you will collect your share certificate(s) and/or refund cheques (if any) in person or you have applied for less than 1,000,000 Public Offer Shares, your share certificate(s) and/or refund cheques (if any) will be sent to the address on your application form on or after Wednesday, 4th April, 2001, by ordinary post and at your own risk.

### **YELLOW application forms:**

If you apply for the Public Offer Shares on a **YELLOW** application form and your application is wholly or partially successful, your share certificates will be 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 as instructed by you in the yellow application form at the close of business on Wednesday, 4th April, 2001, or under contingent situation, on any other date as shall be determined by Hongkong Clearing or HKSCC Nominees Limited.

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

- for 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 Public Offer Shares allotted to you with that CCASS participant.

If you are applying as a CCASS investor participant:

- the Company will publish the results of CCASS investor participants' applications together with the results of the Share Offer on the GEM website and in the newspapers on Tuesday, 3rd April, 2001. You should check against the announcement published by the Company and report any discrepancies to Hongkong Clearing before 12:00 noon on Wednesday, 4th April, 2001 or such other date as shall be determined by Hongkong Clearing or HKSCC Nominees Limited. On Friday, 6th April, 2001 (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 (under the procedures contained in Hongkong Clearing's "An Operating Guide for Investor Participants" in effect from time to time). Hongkong Clearing will also mail to you an activity statement showing the number of Public Offer Shares credited to your stock account.

## **HOW TO APPLY FOR THE PUBLIC OFFER SHARES**

The procedures for collection of refund cheques for **YELLOW** application forms are the same as those for **WHITE** application forms set out in paragraph headed “**WHITE** application forms” above.

The Company will not issue temporary documents of title or any receipt for application money received in respect of the Public Offer Shares.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on GEM are expected to commence on Monday, 9th April, 2001.

The Shares will be traded in board lots of 4,000 each.

### **SHARES WILL BE ELIGIBLE FOR CCASS**

If the Stock Exchange grants the listing of and permission to deal in the Shares on the GEM and the Company complies with the stock admission requirements of Hongkong Clearing, the Shares will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the GEM or on any other date determined by Hongkong Clearing. 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. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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 reporting accountants of the Company, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.



羅兵咸永道會計師事務所

PricewaterhouseCoopers  
22nd Floor Prince's Building  
Central Hong Kong

23rd March, 2001

The Directors  
iAsia Technology Limited  
First Shanghai Capital Limited

Dear Sirs,

We set out below our report on the financial information in relation to iAsia Technology Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for inclusion in the prospectus of the Company dated 23rd March, 2001 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in Hong Kong on 24th September, 1999 under the Hong Kong Companies Ordinance. Subsequent to the incorporation of the Company, the Company has subscribed for shares in the following subsidiaries:-

- (a) On 27th October, 2000, the Company subscribed for one share of US\$1.00 each in iAsia Technology International Limited at par in cash;
- (b) On 2nd January, 2001, the Company subscribed for one share of US\$1.00 each in iAsia Technology (Asia) Limited at par in cash; and
- (c) On 1st February, 2001, the Company subscribed for one share of US\$1.00 each in iAsia Online Systems Limited at par in cash.

As at the date of this report, the Company has direct interests in the following subsidiaries which are private companies. Details of these subsidiaries are as follows:-

Name of Company	Place and date of incorporation	Issued and fully paid up share capital	Attributable equity interest %	Principal activities
iAsia Technology International Limited ( <i>formerly known as Startech Asia Limited</i> )	British Virgin Islands 29th September, 2000	US\$1.00	100%	Inactive

<b>Name of Company</b>	<b>Place and date of incorporation</b>	<b>Issued and fully paid up share capital</b>	<b>Attributable equity interest %</b>	<b>Principal activities</b>
iAsia Technology (Asia) Limited	British Virgin Islands 11th December, 2000	US\$1.00	100%	Inactive
iAsia Online Systems Limited	British Virgin Islands 9th January, 2001	US\$1.00	100%	Inactive

The Company and its subsidiaries have adopted 30th September, as their financial year end date. No audited accounts have been prepared for the above subsidiaries since the date of their incorporation as they were newly incorporated and have not been involved in any significant business transactions since their respective dates of incorporation. We have acted as the auditors of the Company for the period from 24th September, 1999 to 30th September, 2000.

For the purpose of this report, we have also performed an independent audit of the Group for the four month period ended 31st January, 2001 in accordance with the Statements of Auditing Standards issued by the Hong Kong Society of Accountants and have independently examined the management accounts of the companies now comprising the Group for the four month period ended 31st January, 2001 in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the Hong Kong Society of Accountants.

The financial information as set out in sections 1 to 6 below (the "Financial Information") has been prepared based on the audited accounts of the Company or, where appropriate, management accounts of all companies now comprising the Group, and on the basis set out in section 2 below. The directors of the respective companies of the Group during the period from 24th September, 1999 (date of incorporation) to 30th September, 2000 and the four month period ended 31st January, 2001 ("the Relevant Periods") are responsible for preparing these accounts which give a true and fair view. In preparing these accounts which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

The directors of the Company are responsible for the Financial Information. It is our responsibility to form an independent opinion on the results for the Relevant Periods and the consolidated net assets of the Group and the net assets of the Company as at 31st January, 2001.

In our opinion, the Financial Information, for the purpose of this report and prepared on the basis set out in section 2 below, gives a true and fair view of the results of the Company for the period from 24th September, 1999 (date of incorporation) to 30th September, 2000 and the consolidated results of the Group for the four month period ended 31st January, 2001 and of the consolidated net assets of the Group and the net assets of the Company as at 31st January, 2001.

## 1. FINANCIAL INFORMATION

## (a) Results

The following is a summary of the results of the Company and the consolidated results of the Group for the period from 24th September, 1999 (date of incorporation) to 30th September, 2000 and for the four month period ended 31st January, 2001 respectively prepared on the basis set out in Section 2:–

		<u>Company</u> <u>Period from</u> <u>24th September,</u> <u>1999 (date of</u> <u>incorporation) to</u> <u>30th September,</u> <u>2000</u>	<u>Group</u> <u>Four month</u> <u>period ended</u> <u>31st January,</u> <u>2001</u>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	4(a)	4,146	148
Other revenue	4(a)	195	174
Changes in work-in-progress		351	(20)
Work performed by the Group and capitalised under fixed assets		2,343	1,284
Staff costs		(11,161)	(6,787)
Depreciation		(980)	(1,301)
Other operating expenses		(5,427)	(2,166)
Loss from operations	4(b)	(10,533)	(8,668)
Finance costs	4(c)	(29)	(17)
Loss for the period		<u>(10,562)</u>	<u>(8,685)</u>
Loss per share (HK\$)	4(f)	<u>(0.11)</u>	<u>(0.03)</u>

**(b) Net assets**

- (i) The following is a summary of the consolidated net assets of the Group as at 31st January, 2001:-

	<i>Note</i>	<u>Group</u> <i>HK\$'000</i>
Fixed assets	<i>4(i)</i>	10,511
Current assets		
Work-in-progress		331
Accounts receivable		1,073
Prepayments, deposits and other receivable		4,746
Pledged deposits	<i>4(k)</i>	700
Bank balances and cash		8,237
		<u>15,087</u>
Current liabilities		
Accounts payable, accruals and other payables		1,926
Obligations under finance leases	<i>4(l)</i>	326
		<u>2,252</u>
Net current assets		12,835
Long-term portion of obligations under finance leases	<i>4(l)</i>	(392)
Net assets		<u><u>22,954</u></u>

- (ii) The components of the net assets of the Company as at 31st January, 2001 is substantially the same as the consolidated net assets of the Group as at 31st January, 2001 as disclosed in Section 1(b)(i) above except for the investment in subsidiaries as set out in 4(j).

**2. BASIS OF PRESENTATION**

The Company was incorporated on 24th September, 1999. Two subsidiaries were acquired by the Company during the four month period ended 31st January, 2001. Accordingly, the Company's results have been presented for the period from 24th September, 1999 to 30th September, 2000 and the consolidated results of the Group have been presented for the four month period ended 31st January, 2001. The subsidiaries were accounted for in the consolidated results using acquisition accounting.

### 3. PRINCIPAL ACCOUNTING POLICIES

The financial information in this report is prepared under the historical cost convention. The principal accounting policies, which have been adopted in arriving at the financial information in this report are set out below. These policies conform with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong.

#### (a) Consolidation

The summary of the consolidated results of the Group include the results of the Company and its subsidiaries. The results of subsidiaries acquired or incorporated or disposed during the period are included in the consolidated results from the effective date of acquisition or incorporation or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

#### (b) Revenue recognition and work-in-progress

Messaging fees are recognised on an accrual basis in accordance with the terms of the corresponding agreements.

Hook up fees and sales of back office system are recognized upon satisfactory delivery and installation of the system to the customer. System customisation fees are recognized upon satisfactory completion of customisation work including post delivery service support. Work-in-progress is recorded under current assets at amount of costs incurred plus attributable profit less progress billings.

Revenues from content management and subscription and data management are recognised when the services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

#### (c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Cost represents purchase price and any directly attributable costs of bringing the asset to its working condition for its intended use. Depreciation of fixed assets is calculated to write off their cost on a straight-line basis over their estimated useful lives to the Group. The principal annual rates used for this purpose are:

Leasehold improvements	Over the shorter of useful lives or lease term. This represents approximately 3 years
Office furniture and equipment	20%
Computer equipment and software	33.33%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

**(d) Deferred taxation**

Deferred taxation is accounted for at the current tax rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

**(e) Borrowing costs**

Borrowing costs are expensed as incurred unless the costs are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All borrowing costs are charged to the profit and loss account during the Relevant Periods.

**(f) Assets under leases**

*(i) Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease period.

*(ii) Operating leases*

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight line basis over the lease term.

**(g) Accounts receivable**

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

**(h) Translation of foreign currencies**

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

**(i) Research and development cost**

Research and development costs are expensed as incurred unless the development costs satisfy the criteria for recognition of such costs as assets. The development costs incurred for customisation and modification of software which are an integral part of the related hardware and satisfy the criteria for recognition as assets are capitalised under fixed assets.

**4. NOTES TO THE FINANCIAL INFORMATION****(a) Turnover and revenue**

The Group is engaged in the provision of online retail trading solutions to licenced financial institutions in the Asia Pacific Region. Revenues recognised during the Relevant Periods are as follows:

	<u>Company</u> <u>Period from</u> <b>24th September,</b> <b>1999 (date of</b> <b>incorporation)</b> <b>to 30th September,</b> <b>2000</b> <i>HK\$'000</i>	<u>Group</u> <u>Four month</u> <u>period ended</u> <b>31st January,</b> <b>2001</b> <i>HK\$'000</i>
Turnover		
System customisation fees	3,502	–
Hook up fees	260	85
Sale of back office systems	378	15
Messaging fees	6	24
Data management fees	–	3
Content management and subscription fees	–	21
	<hr/>	<hr/>
	4,146	148
Other revenue		
Interest income	195	174
	<hr/>	<hr/>
Total revenues	<u>4,341</u>	<u>322</u>

**(b) Loss from operations**

Loss from operations is stated after charging the following:–

	<u>Company</u> <u>Period from</u> <b>24th September,</b> <b>1999 (date of</b> <b>incorporation)</b> <b>to 30th September,</b> <b>2000</b> <i>HK\$'000</i>	<u>Group</u> <u>Four month</u> <u>period ended</u> <b>31st January,</b> <b>2001</b> <i>HK\$'000</i>
Auditors' remuneration	59	50
Depreciation		
Owned fixed assets	766	1,192
Leased fixed assets	214	109
Cost of services	2,729	2,434
Operating leases		
Land and buildings	871	396
Furniture and equipment	110	18
Retirement benefit costs ( <i>note h</i> )	–	80

**(c) Finance costs**

	<u>Company</u> <u>Period from</u> <b>24th September,</b> <b>1999 (date of</b> <b>incorporation)</b> <b>to 30th September,</b> <b>2000</b> <i>HK\$'000</i>	<u>Group</u> <u>Four month</u> <u>period ended</u> <b>31st January,</b> <b>2001</b> <i>HK\$'000</i>
Interest element of finance leases	28	17
Other interest	1	–
	<u>29</u>	<u>17</u>

**(d) Taxation**

- (i) No provision for Hong Kong profits tax has been made as the Company and the Group have no assessable profits for the Relevant Periods.
- (ii) The potential deferred tax asset of HK\$2,638,000, which mainly relates to the estimated tax losses available for carry forward, has not been recognised in the accounts as the crystallisation of this asset in the foreseeable future is uncertain.

**(e) Dividends**

No dividends have been paid or declared by the Company during the Relevant Periods.

**(f) Loss per share**

The calculation of the loss per share for the Relevant Periods is based on the results for each of the Relevant Periods and the weighted average of 99,368,587 ordinary shares and 289,157,437 ordinary shares in issue during the periods ended 30th September, 2000 and 31st January, 2001 respectively. The weighted average number of shares in issue during the Relevant Periods has taken into account the subdivision of one share of HK\$1.00 each into 10 shares of HK\$0.10 each of the Company on 14th March, 2001.

**(g) Emoluments for directors and highest paid individuals**

(i) Details of the emoluments paid to the directors of the Company are as follow:–

	<u>Company</u> <u>Period from</u> <b>24th September,</b> <b>1999 (date of</b> <b>incorporation)</b> <b>to 30th September,</b> <b>2000</b> <i>HK\$'000</i>	<u>Group</u> <u>Four month</u> <u>period ended</u> <b>31st January,</b> <b>2001</b> <i>HK\$'000</i>
Fee	–	–
Salaries and other emoluments	729	943
Retirement benefit costs	–	6
Bonus	–	–
	<u>729</u>	<u>949</u>

Only one director of the Company received emoluments during the period from 24th September, 1999 to 30th September, 2000. Three directors of the Company received emoluments of approximately HK\$439,000, HK\$320,000 and HK\$190,000 respectively for the four month period ended 31st January, 2001.

(ii) The five individuals whose emoluments were the highest during the Relevant Periods are as follows:–

	<u>Company</u> <u>Period from</u> <b>24th September,</b> <b>1999 (date of</b> <b>incorporation)</b> <b>to 30th September,</b> <b>2000</b>	<u>Group</u> <u>Four month</u> <u>period ended</u> <b>31st January,</b> <b>2001</b>
Directors	1	2
Employees	4	3
	<u>5</u>	<u>5</u>

- (iii) Details of the emoluments of the employees as mentioned in 3(g)(ii) above during the Relevant Periods are as follows:–

	<u>Company</u> <u>Period from</u> <b>24th September,</b> <b>1999 (date of</b> <b>incorporation)</b> <b>to 30th September,</b> <b>2000</b> <i>HK\$'000</i>	<u>Group</u> <u>Four month</u> <u>period ended</u> <b>31st January,</b> <b>2001</b> <i>HK\$'000</i>
Basic salaries and allowances	2,425	1,009
Retirement benefit costs	–	8
Bonus	–	–
	<u>2,425</u>	<u>1,017</u>

The emoluments of the above employees fall within the emolument band of nil to HK\$1,000,000 for the Relevant Periods.

- (iv) During the Relevant Periods, no directors nor the five highest paid individuals waived any emoluments. No emoluments have been paid to the directors or the five highest paid individuals as compensation for loss of office or an inducement to join the Company or the Group.

**(h) Retirement benefit costs**

On 1st December, 2000, a mandatory provident fund scheme has been set up for all the eligible employees of the Group. The mandatory provident fund scheme is a defined contribution retirement scheme and the contributions to the fund by the Group and employees are calculated as a percentage of employees' basic salaries. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The mandatory provident fund scheme cost charged to the profit and loss account represents contributions payable by the Group to the scheme. Contributions totalling HK\$80,000 were payable to the scheme as at 31st January, 2001 and are included in accounts payable.

**(i) Fixed assets – Group and Company**

	<b>Leasehold improvement <i>HK\$'000</i></b>	<b>Office Furniture &amp; Equipment <i>HK\$'000</i></b>	<b>Computer equipment and software <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
Cost:				
As at 1st October, 2000	398	352	9,232	9,982
Additions	76	46	2,689	2,811
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31st January, 2001	474	398	11,921	12,793
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation:				
As at 1st October, 2000	100	50	831	981
Charge for the period	64	24	1,213	1,301
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31st January, 2001	164	74	2,044	2,282
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value:				
As at 31st January, 2001	310	324	9,877	10,511
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
As at 1st October, 2000	298	302	8,401	9,001
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

At 31st January, 2001, the net book value of fixed assets held under finance leases amounted to HK\$684,000.

**(j) Investment in subsidiaries – Company**

Included in the Company's net tangible assets is investment in subsidiaries, at cost of HK\$16.

**(k) Pledged deposits – Group and Company**

At 31st January, 2001, the fixed deposits have been pledged to secure the banking guarantee granted by a bank to the Group for obtaining the finance lease arrangements from the lessor.

**(1) Obligations under finance leases**

At 31st January, 2001, the obligations under finance leases are as follow:–

	<b>Group and Company</b> <i>HK\$'000</i>
Within one year	376
In the second year	345
In the third to fifth year	82
	<hr/>
	803
Future finance charges on finance leases	(85)
	<hr/>
Present value of finance lease liabilities	<u>718</u>

The present value of finance lease liabilities is as follows:–

Current portion	
Within one year	----- 326
Long term portion	
In the second year	320
In the third to fifth year	72
	<hr/>
	392
	<hr/>
	<u>718</u>

**(m) Reserves**

Movements in reserves during the Relevant Periods are as follow:

	<i>Note</i>	<b>Company Period from 24th September, 1999 (date of incorporation) to 30th September, 2000 HK\$'000</b>	<b>Group and Company Four month period ended 31st January, 2001 HK\$'000</b>
<b>Share premium</b>			
Balance brought forward		–	6,000
Premium arising from issue of shares	<i>(i), (iii), (iv)</i>	22,398	6,987
Capitalisation issue	<i>(ii)</i>	<u>(16,398)</u>	<u>–</u>
Balance carried forward		<u>6,000</u>	<u>12,987</u>
<b>Accumulated losses</b>			
Balance brought forward		–	(10,562)
Loss for the period		<u>(10,562)</u>	<u>(8,685)</u>
Balance carried forward		<u>(10,562)</u>	<u>(19,247)</u>

- (i) On 24th March, 2000, the Company allotted and issued 780 ordinary shares of HK\$1.00 each for a total consideration of HK\$16,399,140 fully paid in cash to increase the Company's working capital. Accordingly, HK\$16,398,360 was credited to the share premium account. These shares rank pari passu with the existing ordinary shares.
- (ii) Pursuant to a shareholders' resolution passed on 1st August, 2000, the authorised share capital of the Company was increased from HK\$10,000 to HK\$1,000,000,000 by the creation of 999,990,000 new shares of HK\$1.00 each. On the same date, the Company transferred HK\$16,398,300 from the share premium account to share capital upon a capitalisation issue of 16,398,300 ordinary shares of HK\$1.00 each. These ordinary shares rank pari passu with the existing ordinary shares.
- (iii) On 25th September, 2000, the Company allotted and issued 12,000,000 ordinary shares of HK\$1.00 each for a total consideration of HK\$18,000,000 fully paid in cash to further increase the Company's working capital. The consideration was received in November 2000. Accordingly, HK\$6,000,000 was credited to the share premium account. These shares rank pari passu with the existing ordinary shares.

- (iv) On 15th November, 2000, the Company allotted and issued 812,815 ordinary shares of HK\$1.00 each for a total consideration of HK\$7,800,000 fully paid in cash to further increase the Group's working capital. Accordingly, HK\$6,987,185 was credited to the share premium account. These shares rank pari passu with the existing ordinary shares.

**(n) Commitments**

*(i) Operating leases commitments*

At 31st January, 2001, the future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises are as follows:–

	<b>Group and Company</b> <i>HK\$'000</i>
Within one year	1,201
In the second to fifth year inclusive	1,262
	<hr/>
	2,463
	<hr/> <hr/>

*(ii) Financial commitments*

Pursuant to an agreement entered into between the Company and Computershare Systems Phils., Inc. on 27th September, 2000, the Group has financial commitment in respect of a capital contribution into a jointly controlled entity to be incorporated in the Republic of the Philippines of PHP12.5 million (approximately HK\$1,984,000).

**(o) Contingent liabilities**

- (i) One of the Company's third party suppliers ("Supplier") charged the Company a sum of approximately HK\$8,395,000 in respect of work performed by the Supplier of which approximately HK\$2,635,000 has been paid. As at 31st January, 2001, the Company has not provided for the outstanding service fee of approximately £489,000 (approximately HK\$5,760,000) which is currently in dispute with the Supplier. On the basis of the Company's own assessment of the services rendered by the supplier and professional legal advice, the directors of the Company are of the opinion that such charges are unreasonable and not justifiable under the agreement with the Supplier and intend to challenge the charges on the above grounds. Consequently no provision has been made by the Group as at 31st January, 2001. A threatened claim was made by the Supplier against the Company on 30th November, 2000 for the unpaid invoices for the work done between April and September 2000.

- (ii) On 11th January, 2001, legal proceedings were initiated by Lane Ventures Limited ("Claimant") alleging that the Company had promised to pay a monthly remuneration to the Claimant, to reimburse the Claimant's related travelling expenses and to grant certain options to the Claimant to purchase shares in the Company in consideration of the Claimant rendering its consultancy services to the Company. In the said proceedings, the Claimant is, among other things, claiming from the Company an amount of approximately HK\$473,000 and an order that the Company grant the options as mentioned above to the Claimant. A defence has been filed by the Company. On the basis of the information available to date, the directors of the Company are of the view that no agreement exist between the Claimant and the Company. On the basis of the legal advice received, the Company has a reasonable chance to defend itself against the allegation successfully. Consequently no provision has been made by the Group as at 31st January, 2001.

Certain shareholders of the Company had pursuant to a deed of indemnity dated 22nd March, 2001 given joint and several indemnities in favour of the Group in relation to any loss and damages suffered by the Group in connection with the threatened claim and the legal proceedings as referred to in 4(o)(i) and (ii) above.

## 5. SUBSEQUENT EVENTS

The following significant events took place subsequent to 31st January, 2001:–

- (a) On 14th March, 2001, pursuant to the resolution passed by the shareholders of the Company, each of the issued and unissued ordinary shares of HK\$1.00 each of the Company was subdivided into 10 ordinary shares of HK\$0.10 each.
- (b) On 12th February, 2001, the Company entered into an agreement with Internet Ventures Inc. whereby the parties thereto agreed to form a joint venture company under laws of the Republic of Philippines to engage in the business of establishing a software research and development center and the Company will hold not more than 70% of shareholding in such corporation with equity contribution of not more than PHP17.5 million (approximately HK\$2.78 million).
- (c) On 1st March, 2001, the Company entered into an agreement with Computershare Systems Phils., Inc. ("CSP") under which CSP has granted a non-exclusive licence to the Company to use, to further develop and to distribute Intelligent Trading System and/or Internet Trading System and other related software in Thailand. In consideration of the grant of such licence, the Company shall pay a one-off licence fee of US\$500,000 (approximately HK\$3.9 million) in accordance with the terms of the agreement.

Save as aforesaid, no other significant events took place subsequent to 31st January, 2001.

## 6. SUBSEQUENT ACCOUNTS

No audited accounts have been prepared for the Company and its subsidiaries in respect of any period subsequent to 31st January, 2001.

Yours faithfully  
**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Sallmanns (Far East) Limited, an independent valuer, in connection with their valuations as at 31st January, 2001 of the property interests of the Group.

 **Sallmanns (Far East) Ltd.****西  
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PROPERTY CONSULTANTS, CHARTERED SURVEYORS  
PLANT AND MACHINERY VALUERS  
HONG KONG ● PRC ● PHILIPPINES ● UK

15th Floor, Trinity House  
165 Wanchai Road  
Wanchai  
Hong Kong

23rd March, 2001

The Directors  
iAsia Technology Limited  
Suite 5311  
The Center  
99 Queen's Road Central  
Central  
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interests of iAsia Technology Limited (referred to as the "Company") and its subsidiaries (hereinafter together collectively referred to as the "Group") in Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinion of the open market values of such property interests as at 31st January, 2001.

**BASIS OF VALUATION**

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

- (a) a willing seller;
- (b) 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 price and terms and for the completion of the sale;
- (c) 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;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and

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

### **VALUATION METHODOLOGY**

In valuing the property interests which are rented and occupied by the Group, we are of the opinion that they have no commercial value either because of their non-assignability in the open market or there are prohibitions against subletting and/or assignment contained in the respective leases and/or tenancy agreements or the lack of marketable and substantial profit rents.

### **TITLE INVESTIGATION**

We have not searched the title of the properties and have not scrutinized the original title documents. However, we have been given copies of the tenancy agreements of the properties rented by the Group.

### **VALUATION CONSIDERATIONS**

Our valuations have been made on the assumption that the property interests can be sold in the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which could serve to affect the values of the property interests.

We have inspected the exterior and wherever possible, the interior of the properties included in the attached valuation certificates. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the properties are free from rot, infestation or other defects. No tests were carried out on any of the services.

We have not undertaken any surveys to determine whether the mechanical and electrical systems within the properties (or the buildings or developments in which they are located) will be adversely affected on or after the year 2000 and as such have assumed that the properties will be unaffected.

We have relied to a considerable extent on the information provided by the Group and have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, completion dates of buildings, particulars of occupancy, lettings, floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore only approximations.

We have had no reason to doubt the truth and accuracy of the information provided to us by your Group. We have also been advised by your Group that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on any of the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuations have been prepared under the generally accepted valuation procedures and in compliance with the Rules governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

Our valuations have been prepared in accordance with the Hong Kong Guidance Notes on the Valuation of Property Assets (2nd Edition) published by the Hong Kong Institute of Surveyors in March 2000.

**REMARKS**

Unless otherwise stated, all monetary sums stated are in Hong Kong Dollars.

Our Summary of Values and the Valuation Certificates are enclosed herewith.

Yours faithfully  
For and on behalf of  
**SALLMANN'S (FAR EAST) LIMITED**  
**Tony C. H. Cheng**  
*BSc., MUD, MRICS, AHKIS, MCI Arb*  
*Associate Director*

*Note:* Tony C. H. Cheng is a Chartered Surveyor who has more than nine years' experience in valuation of properties in Hong Kong.

## SUMMARY OF VALUES

## Property interests rented and occupied by the Group in Hong Kong

No.	Property	Open Market Value in Existing State as at 31st January, 2001
1.	Offices Nos. 5311 and 5312 on 53rd Floor The Center No. 99 Queen's Road Central Central Hong Kong	No Commercial Value
2.	25th Floor Nos. 10-12 Pottinger Street Central Hong Kong	No Commercial Value

## VALUATION CERTIFICATE

## Property interests rented and occupied by the Group in Hong Kong

No.	Property	Description and Tenure	Particulars of Occupancy	Open Market Value in Existing State as at 31st January, 2001
1.	Offices Nos. 5311 and 5312 on 53rd Floor The Center No.99 Queen's Road Central Central Hong Kong	<p>The property comprises two amalgamated office units on the 53rd floor within a 73-storey office building completed in about 1999.</p> <p>The property has a gross floor area of approximately 3,747 square feet.</p> <p>The property is held by the Company from an independent third party under a tenancy agreement dated 6th March, 2000 (as novated under a novation agreement dated 15th May, 2000) for a term from 1st April, 2000 to 24th March, 2003 exclusive of rates, Government rent, air-conditioning and management charges with a rent-free period of approximately 8 months.</p>	The property is currently occupied by the Company as an office.	No Commercial Value
2.	25th Floor Nos. 10-12 Pottinger Street Central Hong Kong	<p>The property comprises the whole office floor on the 25th floor within a 25-storey office building completed in about 1999.</p> <p>The property has a gross floor area of approximately 1,805 square feet.</p> <p>The property is held by the Company from an independent third party under a tenancy agreement dated 21st July, 2000 for a term of 1 year from 20th July, 2000 to 19th July, 2001 exclusive of rates, air-conditioning and management charges.</p>	The property is currently occupied by the Company as an office.	No Commercial Value

The existing Articles were adopted on 14th March, 2001. The following is a summary of certain provisions of the Articles:

**(a) Alteration of capital**

The Company may from time to time by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe.

The Company may from time to time by ordinary resolution (a) consolidate and divide all or any of its share capital into shares smaller of larger amount than its existing shares; (b) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken, by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association of the Company and the resolution may determine that, as between the holders of the shares resulting from the sub-division, any of the shares may have any preference or advantage over or to be subject to any restrictions as compared with the others as the Company has power to attach to unissued or new Shares, subject nevertheless to the provisions of the Companies Ordinance.

The Company may by special resolution reduce its capital, any capital redemption reserve fund or any share premium account in any manner subject to any conditions prescribed by law.

**(b) Modification of rights**

Subject to the provisions of the Companies Ordinance, if at any time the share capital is divided into different classes of shares, the rights attached to any class of shares (unless otherwise provided by the terms of issue of the shares of that class) may be varied modified or abrogated with the consent in writing of the holders of not less than three fourths in nominal value 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 such shares. To any such separate general meeting, all the provisions of the Articles as to general meetings of the Company shall mutatis mutandis apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy or by authorised representative not less than one third in nominal value of the issued shares of that class and that every holder of shares of that class shall be entitled on a poll to one vote for every share of that class, held by him, and any holder of shares of the class present in person or by proxy or by authorised representative may demand a poll and that at an adjourned meeting of the holders, two person holding shares of that class present in person or by proxy or by authorised representative (whatever the number of shares held by them) shall be a quorum.

**(c) Votes of members**

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any shares, on a show of hands every member who is present in person or by a representative duly authorised under the Companies Ordinance at a general meeting of the Company, shall have one vote and on a poll every member who is present in person or by proxy or by his authorised representative shall have one vote for every share of which he is the holder which is fully paid up.

A member of the Company, being a recognised clearing house within the meaning of the Securities and Futures (Clearing Houses) Ordinance of Hong Kong or its nominees may authorise such person or persons as it thinks fit to act as its representative (or representatives) at any general meeting of the Company or at any meeting of any class of members provided that, if more than one person is so authorised, the authorisation must specify the number and class of shares in respect of which each such person is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the clearing house (or its nominee(s)) which he represents as that clearing house (or its nominee(s)) could exercise if it were an individual member of the Company.

**(d) Borrowing powers**

The Board may exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital of the Company and to issue debentures, debenture stock, bonds or 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. These provisions, in common with the Articles of Association in general, can be varied by a special resolution of the Company.

**(e) Directors**

The number of Directors shall be not less than two. A Director is not required to hold any qualification shares.

The Company may by special resolution remove any Director before the expiration of his period of office and may elect another person in his place.

At every annual general meeting one third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one third shall retire from office. The chairman of the Board, the managing director, the joint managing director and/or deputy managing director of the Company shall not, whilst holding office as such be subject to retirement by rotation or be taken into account in determining the number of Directors to retire at each annual general meeting.

Without prejudice to the provisions in the Articles for retirement by rotation or otherwise contained in the Articles, the office of a Director shall be vacated if by notice in writing served upon him and signed by all his co-Directors.

No Director shall be ineligible for appointment by reason only of his having attained any particular age.

The Board may from time to time appoint one or more Directors to hold any office or place of profit with the Company for such period and upon such terms as it thinks fit and may revoke or terminate any of such appointments.

The Directors shall be entitled to receive by way of remuneration for their services such sum to be determined by the members in general meeting of the Company or by the Directors on the authority of the Company.

An executive Director shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine and in addition to his remuneration as a Director.

Each Director may be paid his reasonable travelling and hotel expenses reasonably incurred by him in or about the performance of his duties as Directors, including his expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred while engaged in the business of the Company. Any Director who performs any special or extra services to or at the request of the Company may be paid special remuneration. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made by way of salary or commission or participation in profits or otherwise as may be arranged.

Notwithstanding the above, the remuneration of a Director appointed to any office in the management of the Company may from time to time be fixed by the Directors and may be by way of salary, commission, participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits or retirement and allowances) as the Board may from time to time decide. Such remuneration shall be in addition to his remuneration as a Director.

**(f) Directors' interests**

A Director may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine and may be paid such extra remuneration for it (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 any remuneration provided for by or pursuant to any other provision of the Articles.

Subject to the Companies Ordinance and the provisions of the Articles, 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 or profit or as vendor, purchaser or in any other manner whatever, nor shall any contract in which any Director is in any way interested be liable to be avoided, nor shall any Director who is interested be liable to account to the Company or the members for any remuneration, profit or other benefit realised by the contract by reason of such Director holding that office or of the fiduciary relationship thereby established.

A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract 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 is first taken into consideration, if he knows that he is or has become so interested. For this purpose, a general notice to the Directors given by a Director to the effect that (a) he is a member of a specified company or firm and is to be regarded as interested in any contract which may after the date of the notice be made with that company or firm, or (b) he is to be regarded as interested in any contract which may after the date of the notice be made with a specified person who is connected with him, shall be deemed to be a sufficient declaration of interest in relation to any such contract; provided that no such notice shall be effective unless either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next meeting of the Directors after it is given.

Save as otherwise provided by the Articles, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Directors in respect of any contract in which he is to his knowledge materially interested, but this prohibition shall not apply to any of the following matters:

- (i) the giving to him of any indemnity or security in respect of money lent or obligations undertaken by him for the benefit of the Company or any of its subsidiaries;
- (ii) the giving to a third party of any indemnity or security in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (iii) where the Company or any other company which the Company may promote is offering securities in which offer the Director is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any contract in which the Director is interested by virtue of his interest in shares or debentures or other securities of the Company;
- (v) any contract concerning any other company (not being a company in which the Director, together with any of his associates, owns five per cent. or more) in which he is interested directly or indirectly whether as an officer, executive or shareholder;
- (vi) any contract concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme 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 personally as such any privilege or advantage not accorded to the class of persons to which the fund or scheme relates; and
- (vii) any contract concerning the adoption, modification or operation of any share incentive or share option scheme under which the Director may benefit.

Any Director may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor), and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

**(g) Dividends**

The Company may in general meeting declare dividends in any currency but no dividend shall exceed the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for this purpose as paid up on the share.

The Directors may pay such interim dividends as appear to the Board to be justified by the profits of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board, whatever the profits of the Company, in the opinion of the Board, justifies its payment.

The Directors may deduct from any dividend or other moneys payable to a member by the Company all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

In respect of any dividend proposed to be paid or declared by the Directors or by the Company in general meeting, the Directors may further resolve that (a) such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members entitled thereto shall be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) the members entitled to such dividend be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Board may think fit.

Any general meeting declaring a dividend may, upon the recommendation of the Board, by special resolution, direct that it shall be satisfied wholly by the allotment of Shares.

Any dividend unclaimed after a period of six years after having been declared may be forfeited and shall revert to the Company. All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect of it.

#### **(h) Transfer of Shares**

Subject to such of the restrictions of the Articles as may be applicable, any member may transfer all or any of his shares by an instrument of transfer in the usual common form as prescribed by the Stock Exchange or in such other form as the Directors may accept and may approve. Such transfer may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), under 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 of a share shall be executed by or on behalf of the transferor and the transferee. The transferor shall for all purposes hereof remain the holder of the share until the name of the transferee is entered in the register in respect of it. Nothing in the Articles shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some person.

The Directors may in their absolute discretion and without assigning any reason, decline to register any transfer of any share which is not a fully-paid share to a person of whom they do not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and they may also refuse to register any transfer of any share to more than four joint holders or any transfer or any share (not being a fully paid up share) on which the Company has a lien.

The Directors may also decline to register any transfer unless:

- (i) the instrument of transfer, duly stamped, is accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (ii) such fee which does not exceed the maximum amount prescribed by the Stock Exchange from time to time as the Board may from time to time require is paid to the Company in respect of it;
- (iii) the instrument of transfer is in respect of only one class of share; and
- (iv) the shares concerned are free from any lien in favour of the Company.

If the Directors decline to register a transfer of any share, they shall, within two months after the date on which the instrument of transfer was lodged with the Company send to each of the transferor and the transferee notice of the refusal.

**(i) Purchases of Shares**

The Company is authorised by the Articles to purchase its shares and may do so so far as is permitted by the Companies Ordinance or any other relevant ordinance and the purchase is made in accordance with any relevant rules or regulations issued by the Stock Exchange or the Securities and Futures Commission from time to time.

**FURTHER INFORMATION ABOUT THE COMPANY****Incorporation**

The Company (formerly known as Sparkle Enterprise Limited) was incorporated in Hong Kong under the Companies Ordinance as a private company on 24th September, 1999. The Company operates subject to the Companies Ordinance and to its constitution which comprises a memorandum of association and articles of association. A summary of various parts of its constitution is set out in Appendix III to this prospectus.

**Changes in share capital**

As at the date of incorporation of the Company, its initial authorised share capital was HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each of the Company, two of which were allotted and issued at par to the subscribers, which shares were transferred on 20th January, 2000 to Best Summit and Longson respectively. On 1st August, 2000, the authorised share capital of the Company was increased to HK\$1,000,000,000 by the creation of an additional 999,990,000 shares of the Company of HK\$1.00 each, ranking *pari passu* with the then existing shares of the Company in all respects.

Pursuant to written resolutions of the shareholders of the Company dated 20th January, 2000, 898 shares of HK\$1.00 each of the Company were issued and allotted to Longson, Newtop, Best Summit and Bailey as to 199, 200, 399 and 100 shares of HK\$1.00 each of the Company at par respectively which have subsequently been paid up in full.

Pursuant to written resolutions of the shareholders of the Company dated 24th March, 2000, 780 shares of HK\$1.00 each of the Company were issued and allotted to Longson, Newtop, Best Summit, Bailey and Capital Speed as to 160, 160, 20, 280 and 160 shares of HK\$1.00 each of the Company respectively at a consideration of HK\$3,599,800, HK\$3,599,800, HK\$3,599,660, HK\$3,799,900 and HK\$1,799,980 respectively which have subsequently been paid up in full. On 24th March, 2000, 60 shares of HK\$1.00 each of the Company were transferred by Best Summit to Global Vision Group Limited and Capital Speed as to 40 and 20 shares of HK\$1.00 each of the Company respectively at HK\$1.00 per share.

Pursuant to written resolutions of the shareholders of the Company dated 2nd May, 2000, 320 shares of HK\$1.00 each of the Company were issued and allotted to Capital Speed at par which have subsequently been paid up in full.

Pursuant to written resolutions of the shareholders of the Company dated 1st August, 2000, 16,398,300 shares of HK\$1.00 each of the Company were issued and allotted credited as fully paid by way of capitalization of an amount HK\$16,398,300 standing in the credit of the share premium account of the Company to Longson, Newtop, Best Summit, Bailey, Capital Speed and Global Vision Group Limited as to 2,951,694, 2,951,694, 2,951,694, 3,115,677, 4,099,575 and 327,966 shares of HK\$1.00 each of the Company respectively.

Pursuant to written resolutions of the shareholders of the Company dated 14th September, 2000, the Company has issued and allotted to Best Summit, Capital Speed, Newtop, Bailey, Pioneer Asset and Golden Mate 2,160,000, 803,973, 1,333,333, 2,876,406, 1,391,615 and 3,434,673 shares of HK\$1.00 each of the Company respectively at HK\$1.50 per share (representing a premium of HK\$0.50 per share).

On 15th November, 2000, an aggregate of 812,815 shares of HK\$1.00 each of the Company were issued and allotted fully paid to JAFCO L-2 Venture Capital Investment Limited Partnership,

JAFCO G-8(A) Investment Enterprise Partnership, JAFCO G-8(B) Investment Enterprise Partnership and JAFCO GC-1 Investment Enterprise Partnership as to 203,203, 203,204, 203,204 and 203,204 shares of HK\$1.00 each of the Company at a consideration of HK\$1,950,000.00 for each allottee.

Assuming that the Share Offer becomes unconditional and the issue of the Offer Shares and the issue of Shares pursuant to the Capitalisation Issue mentioned herein are made, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or the options which have been conditionally granted under the Pre-IPO Share Option Plan, the authorised share capital of the Company will be HK\$1,000,000,000 divided into 10,000,000,000 Shares and the issued share capital of the Company will be HK\$45,000,000 divided into 450,000,000 Shares all fully paid or credited as fully paid, with 9,550,000,000 Shares remaining unissued. Other than pursuant to the exercise of the Over-allotment Option or, any options which have been conditionally granted under the Pre-IPO Share Option Plan and any options which may be granted under the Share Option Scheme, there is no present intention to issue any part of the authorised but unissued share capital of the Company and, without the prior approval of the shareholders of the Company in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as aforesaid, there has been no alteration in the share capital of the Company since the date of its incorporation.

#### **Written resolutions of the shareholders of the Company**

On 14th March, 2001, resolutions in writing were passed by the shareholders of the Company pursuant to which, inter alia:–

- (a) each of the issued and unissued shares of HK\$1.00 each of the Company was subdivided into 10 shares of HK\$0.10 each of the Company;
- (b) conditional on (i) the GEM Listing Committee granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may be made available pursuant to the exercise of the Over-allotment Option) and (ii) 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 First Shanghai on behalf of the Underwriters) and not being terminated in accordance with the terms of that agreement or otherwise, in each case on or before 23rd April, 2001, the Share Offer and the Over-allotment Option were approved and the Directors were authorised to allot and issue the Offer Shares and the Shares which may be required to be issued if the Over-allotment Option is exercised;
- (c) conditional on the share premium account of the Company being credited as a result of the Share Offer, the sum of HK\$6,786,885 standing to the credit of the share premium account of the Company was directed to be capitalised and the said sum be applied in paying up in full at par 67,868,850 Shares, such Shares to be allotted and issued, credited as fully paid, to holders of Shares on the register of members of the Company at the close business on 14th March, 2001 (or as such holders made direct) in proportion (as nearly as possible without having fractions) to their then respective shareholdings in the Company;

- (d) conditional on (i) the GEM Listing Committee granting the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of any such options under the Share Option Scheme, and (ii) 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 First Shanghai on behalf of the Underwriters) and not being terminated in accordance with the terms of that agreement or otherwise, the rules of the Share Option Scheme were approved and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights under any options which may be granted under the Share Option Scheme and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme;
- (e) conditional on (i) the GEM Listing Committee granting the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of any such options under the Pre-IPO Share Option Plan and (ii) 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 First Shanghai on behalf of the Underwriters) and not being terminated in accordance with the terms of that agreement or otherwise, the rules of the Pre-IPO Share Option Plan were approved and the Directors were authorised, at their absolute discretion, to grant options to subscribe for shares in the Company thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights under any options which may be granted under the Pre-IPO Share Option Plan and to take all such steps as they consider necessary or desirable to implement the Pre-IPO Share Option Plan;
- (f) a general unconditional mandate was given to the Directors to exercise all the powers of the Company to allot, issue and deal with, otherwise than by way of rights or an issue of shares upon the exercise of any subscription rights attached to any warrants of the Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Pre-IPO Share Option Plan or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of the Company in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by the shareholders of the Company in general meeting, Shares with a total nominal value not exceeding 20% of the aggregate of (i) the total nominal value of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue and (ii) the total nominal value of the share capital of the Company which may be issued pursuant to the Over-allotment Option, such mandate to remain in effect until whichever is the earliest of:–
- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or the Companies Ordinance to be held; or

- (iii) the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking, varying or renewing such mandate;
- (g) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on GEM or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate of (i) the total nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue and (ii) the total nominal value of the share capital of the Company which may be issued pursuant to the Over-allotment Option, such mandate to remain in effect until whichever is the earliest of:–
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or the Companies Ordinance to be held; or
  - (iii) the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking, varying or renewing such mandate;
- (h) the general unconditional mandate mentioned in paragraph (f) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (g) above provided that such extended amount shall not exceed 10% of the aggregate of (i) the total nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue and (ii) the total nominal value share capital of the Company which may be issued pursuant to the Over-allotment Option; and
- (i) the Company approved and adopted its new articles of association and was converted into a public company.

### **Corporate Reorganisation**

The corporate reorganisation involved the following:–

- (a) On 24th September, 1999, the Company was incorporated.
- (b) On 29th September, 2000, iAsia Technology International Limited, a company with limited liability with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each was incorporated in the British Virgin Islands.
- (c) On 27th October, 2000, one share of US\$1.00 each in iAsia Technology International Limited was allotted and issued to the Company for cash at US\$1.00.

- (d) On 11th December, 2000, iAsia Technology (Asia) Limited, a company with limited liability with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each was incorporated in the British Virgin Islands.
- (e) On 2nd January, 2001, one share of US\$1.00 each in iAsia Technology (Asia) Limited was allotted and issued to the Company for cash at US\$1.00.
- (f) On 9th January, 2001, iAsia Online Systems Limited, a company with limited liability with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each was incorporated in the British Virgin Islands.
- (g) On 1st February, 2001, one share of US\$1.00 each in iAsia Online Systems Limited was allotted and issued to the Company for cash at US\$1.00.

#### **Changes in the share capital of subsidiaries**

Apart from those mentioned in the section headed “Corporate Reorganisation” in this Appendix, there has been no alteration in the share capital of the subsidiaries of the Company within the two years preceding the date of this prospectus.

#### **Repurchase by the Company of its own securities**

This section includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

##### *(a) Regulations of the GEM Listing Rules*

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, the most important of which are summarised below:–

##### *(i) Shareholders’ approval*

All repurchases of securities on GEM by a company with its primary listing on GEM must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

*Note:* Pursuant to a resolution of the shareholders of the Company passed on 14th March, 2001, a general unconditional mandate (the “Buyback Mandate”) was given to the Directors authorising any repurchase by the Company of Shares on GEM or on any other stock exchange recognised by the SFC and the Stock Exchange of up to 10% of the aggregate of (i) the total nominal value of the share capital of the Company in issue immediately after completion of the Share Offer and the Capitalisation Issue, and (ii) the total nominal value of the share capital of the Company which may be issued pursuant to the Over-allotment Option, and such mandate to remain effect until the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or the Companies Ordinance to be held or the passing of an ordinary resolution of shareholders of the Company in general meeting revoking, varying or renewing such mandate, whichever occurs first.

(ii) Source of funds

Any repurchases must be financed out of funds legally available for the purpose in accordance with the memorandum and the Articles of Association and the Companies Ordinance. A listed company may not repurchase its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Trading restrictions

A company is authorised to repurchase on GEM or on any other stock exchange recognised by the SFC and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in the company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchases on GEM if the result of the repurchases would be that the number of the listed securities in public hands would be below the relevant prescribed minimum percentage for that company as determined by the Stock Exchange.

(iv) Status of repurchased securities

The listing of all repurchased securities (whether on GEM or otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed.

(v) Suspension of repurchase

Any securities repurchase programme is required to be suspended after a price-sensitive development has occurred or has been the subject of directors' decision until the price-sensitive information is made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of the company's half-year report or a quarterly report, a company may not purchase its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on GEM if a company has breached the GEM Listing Rules.

(vi) Reporting requirements

Repurchases of securities on GEM or otherwise must be reported to the Stock Exchange not later than 9:30 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who

effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) *Connected parties*

Under the GEM Listing Rules, a company shall not knowingly repurchase shares from a connected person (as defined in the GEM Listing Rules) and a connected person shall not knowingly sell his shares to the company. As at the Latest Practicable Date and to the best of the knowledge of the Directors having made all reasonable enquiries, none of the Directors or their Associates has a present intention to sell Shares to the Company.

(b) *Exercise of the Buyback Mandate*

Exercise in full of the Buyback Mandate, on the basis of 450,000,000 Shares in issue immediately after listing of the Shares and taking no account of any Shares which may be allotted pursuant to the Over-allotment Option or any options which have been granted under the Pre-IPO Share Option Plan, could accordingly result in up to 45,000,000 Shares being repurchased by the Company during the period up to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or the Companies Ordinance to be held; or (iii) the revocation, variation or renewal of the repurchase mandate by ordinary resolution of the shareholders of the Company in general meeting, whichever occurs first.

(c) *Reasons for repurchases*

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share.

(d) *Funding of repurchases*

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the memorandum of association of the Company and the Articles of Association and the Companies Ordinance. The Company may not purchase securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(e) *General*

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that the Buyback Mandate is exercised in full. However, the Directors do not propose to exercise the Buyback Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the GEM Listing Rules, the memorandum and the Articles of Association and the Companies Ordinance.

No connected person (as defined in the GEM Listing Rules) of the Company has notified the Company that it or he or she has a present intention to sell Shares to the Company or has undertaken not to do so.

If as a result of a repurchase of Shares, 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 (the "Code"). As a result, a shareholder, or a group of shareholders acting in concert, depending on the level of increase in the shareholder's interests, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code.

## 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 preceding the date of this prospectus and are or may be material:-

- (a) a shareholders' agreement dated 14th February, 2000 entered into between Longson, Newport, Best Summit, Bailey, Capital Speed, Global Vision Group Limited and the Company for the purpose of regulating the relationship of the parties thereto with each other and to provide for the management and conduct of the business of the Company;
- (b) a trademark licensing agreement dated 1st June, 2000 entered into between iAsiacar.com Limited and the Company whereby the Company granted to iAsiacar.com Limited a non-exclusive licence to use the Trademark (as defined in the agreement) initially for 5 years at a consideration of HK\$1.00 and shall automatically renew for 5 years each at a licence fee to be agreed by the parties thereto upon each renewal;
- (c) a trademark licensing agreement dated 1st June, 2000 entered into between isinolaw Limited and the Company whereby the Company granted to isinolaw Limited a non-exclusive licence to use the Trademark (as defined in the agreement) initially for 5 years at a consideration of HK\$1.00 and shall automatically renew for 5 years each at a licence fee to be agreed by the parties thereto upon each renewal;
- (d) a pre-incorporation agreement dated 27th September, 2000 entered into between the Company and CSP whereby the parties thereto agreed to form a corporation under the laws of the Republic of Philippines to engage in the business of setting up an Interactive Service Bureau (as defined therein) and the Company will hold not less than 35% of the shareholding in the corporation with equity contribution of 15,000,000 Pesos (approximately HK\$2.38 million);
- (e) a subscription agreement dated 24th October, 2000 ("the Subscription Agreement") entered into between Longson, Newport, Best Summit, Bailey, Capital Speed, Global Vision Group Limited, Golden Mate, Pioneer Asset (collectively known as the "Existing Shareholders"); JAFCO Co. Ltd. ("Jafco"); and the Company and four applications for subscription executed by the JAFCO Investments dated 10th November, 2000 in relation to the subscription of an aggregate of 812,815 shares of HK\$1.00 each in the Company ("Subscription Shares") by the JAFCO Investments at an aggregate subscription price of HK\$7,800,000.00 (US\$1,000,000.00). Jafco has been authorised and empowered to act and represent on behalf of the JAFCO Investments to execute

- the Subscription Agreement and agree to subscribe the Subscription Shares upon the terms and conditions set out therein;
- (f) a joint venture agreement dated 12th February, 2001 entered into between the Company and iVentures whereby the parties thereto agreed to form a joint venture company under laws of the Republic of Philippines to engage in the business of establishing a software research and development centre and the Company will hold not more than 70% of shareholding in such corporation with equity contribution of not more than 17,500,000 Pesos (approximately HK\$2,777,250).
- (g) a termination deed dated 22nd March, 2001 entered into between Longson, Newtop, Best Summit, Bailey, Capital Speed, Global Vision Group Limited and the Company for the purpose of terminating the shareholders' agreement in (a) above;
- (h) the Underwriting Agreement; and
- (i) a deed of indemnity dated 22nd March, 2001 entered into between the Initial Management Shareholders (other than the JAFCO Investments) and the Company, pursuant to which the Initial Management Shareholders (other than the JAFCO Investments) have given certain indemnities in favour of the Group containing, among other things, the indemnities referred to in the sub-paragraph headed "Estate duty and tax indemnity" and in the sub-paragraph headed "Litigation" under the paragraph headed "Other information" in this Appendix.

### Intellectual property

As at the Latest Practicable Date, the Company has applied for registration of the following marks in Hong Kong in respect of the Trade Mark classes of services specified below:–

Trade Mark	Class	Part	Application Number (Note)	Date of Application
iAsia Technology	38	A	2000 16272	21st July, 2000
iAsia Technology	42	A	2000 16273	21st July, 2000
 @sia	38	A	2000 16269	21st July, 2000
 @sia	42	A	2000 16270	21st July, 2000
	38	A	2000 16906	28th July, 2000
	42	A	2000 16907	28th July, 2000

*Notes:* The Company has received preliminary objections from Trade Marks Registry refusing to register such trade marks and the agent for trademarks of the Company has filed submissions seeking withdrawal of such objections and sought alternative registration in Part B Register should the Trade Marks Registry consider acceptable.

Part A registration offers greater protection to a trade mark than Part B in that for a Part B registration, a court will not grant an injunction or other relief if it is established that the infringing use is not likely to deceive or cause confusion or be taken as indicating a connection in the course of trade between the goods or services of the trade mark proprietor or a registered user of the mark. In addition, for a Part A registered trade mark, registration becomes incontestable after 7 years except on grounds of deceptiveness, fraud and 5 years non-use, whereas for a Part B registered trade mark, its registration never becomes incontestable.

However, the distinction between Part A and Part B will be abolished with retrospective effect when the Trade Marks Ordinance 2000 comes into force. There is currently no commencement date for the said Ordinance to come into force but it is currently expected that it will come into force in or about March 2002.

As at the Latest Practicable Date, the Company is the registrant of the domain names specified below:–

<b>Domain Name</b>	<b>Registration Date</b>	<b>Expiry Date</b>
iasiatechnology.com	13th October, 2000	13th October, 2002
iasiamoney2u.com	31st July, 2000	31st July, 2001
iasiatech.com	25th January, 2000	25th January, 2002

## **FURTHER INFORMATION ABOUT DIRECTORS, SENIOR MANAGEMENT AND STAFF**

### **Directors**

#### *Disclosure of Interests*

- (a) Immediately following completion of the Share Offer and the Capitalisation Issue without taking into consideration the exercise of the Over-allotment Option, the beneficial interests of the Directors in the share capital of the Company or any of its associated corporations (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 they are taken or deemed to have taken under section 31 of, or Part 1 of the Schedule to, the SDI Ordinance) once the Shares are listed, or will be required, pursuant to section 29 of the SDI Ordinance, to be entered in the register required to be kept therein once the Shares are listed, or will be required pursuant to Rule 5.40 to Rule 5.59 of the GEM Listing Rules relating to securities transaction by Directors to be notified to the Company and the Stock Exchange once the Shares are listed as follow (assuming that their interests will remain unchanged after the Latest Practicable Date):

#### **Interest in the Company**

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of Shares</b>	<b>Approximate percentage of interest</b>
Dr. Ho	Corporate ( <i>Note 1</i> )	73,846,513	16.41
Mr. Thomas Fung	Corporate ( <i>Notes 2 and 5</i> )	52,809,819	11.73
Dr. Lee	Corporate ( <i>Note 3</i> )	62,997,029	14.00
Mr. Ko	Corporate ( <i>Note 4</i> )	60,433,722	13.43
Mr. Yuen	Corporate ( <i>Note 4</i> )	60,433,722	13.43
Mr. Cheng	Corporate ( <i>Notes 2 and 5</i> )	52,809,819	11.73
Mr. Tony Fung	Corporate ( <i>Note 6</i> )	36,378,847	8.08
Mr. Lawrence Ho	Corporate ( <i>Note 7</i> )	42,326,273	9.41

*Notes:—*

1. Dr. Ho will be taken to be interested in 73,846,513 Shares as a result of him being beneficially interested in 65% of the issued share capital of Bailey which in turn holds approximately 16.41% of the issued share capital of the Company.
  2. Mr. Thomas Fung will be taken to be interested in 52,809,819 Shares as a result of him being beneficially interested in 33<sup>1</sup>/<sub>3</sub>% of the issued share capital of Kateman International Ltd. which in turn is beneficially interested in 50% of the issued share capital of Newtop which in turn holds approximately 11.73% of the issued share capital of the Company.
  3. Dr. Lee will be taken to be interested in 62,997,029 Shares as a result of him being beneficially interested in the entire issued share capital of Best Summit which in turn holds approximately 14.00% of the issued share capital of the Company.
  4. Mr. Ko will be taken to be interested in 60,433,722 Shares as a result of him being beneficially interested in 51% of the issued share capital of Capital Speed which in turn holds approximately 13.43% of the issued share capital of the Company. Mr. Yuen will also be taken to be interested in 60,433,722 Shares as a result of him being beneficially interested in 49% of the issued share capital of Capital Speed. The 60,433,722 Shares represent the same interest held by Capital Speed and are therefore duplicated between Mr. Ko and Mr. Yuen.
  5. Mr. Cheng will be taken to be interested in 52,809,819 Shares as a result of him being beneficially interested in the entire issued share capital of Potassium Corp. which in turn is beneficially interested in 50% of the issued share capital of Newtop which in turn holds approximately 11.73% of the issued share capital of the Company. The 52,809,819 Shares represent the same interest held by Newtop and are therefore duplicated between Mr. Thomas Fung and Mr. Cheng.
  6. Mr. Tony Fung will be taken to be interested in 36,378,847 Shares as a result of him being beneficially interested in the entire issued share capital of Megaland Development Limited, which in turn is beneficially interested in approximately 34.39% of the issued share capital of Yu Ming which in turn beneficially holds the entire issued share capital of Longson and Longson holds approximately 8.08% of the issued share capital of the Company.
  7. Mr. Lawrence Ho will be taken to be interested in 42,326,273 Shares as a result of him being beneficially interested in the entire issued share capital of Golden Mate which in turn holds approximately 9.41% of the issued share capital of the Company.
- (b) Immediately following completion of the Share Offer and the Capitalisation Issue without taking into consideration the exercise of the Over-allotment Option, so far as the Directors are aware and taking no account of Shares which may be taken up pursuant to the Share Offer, the persons who will be directly or indirectly interested in 10% or more of the Shares then in issue and to be issued as herein will be as follows:—

Name of shareholder of the Company	Number of Shares	Approximate percentage of shareholding
Newtop	52,809,819 ( <i>Note 1</i> )	11.73
Kateman International Ltd.	52,809,819 ( <i>Note 1</i> )	11.73
Potassium Corp.	52,809,819 ( <i>Note 1</i> )	11.73
Mr. Thomas Fung	52,809,819 ( <i>Note 1</i> )	11.73
Mr. Joseph Fung	52,809,819 ( <i>Note 1</i> )	11.73
Mr. Tony Yeung	52,809,819 ( <i>Note 1</i> )	11.73
Mr. Cheng	52,809,819 ( <i>Notes 1 and 2</i> )	11.73
Best Summit	62,997,029 ( <i>Note 3</i> )	14.00
Dr. Lee	62,997,029 ( <i>Note 3</i> )	14.00
Bailey	73,846,513 ( <i>Note 4</i> )	16.41
Dr. Ho	73,846,513 ( <i>Note 4</i> )	16.41
Capital Speed	60,433,722 ( <i>Note 5</i> )	13.43
Mr. Ko	60,433,722 ( <i>Note 5</i> )	13.43
Mr. Yuen	60,433,722 ( <i>Note 5</i> )	13.43

*Notes:—*

1. These Shares are held by Newtop which is owned as to 50% by Kateman International Ltd. and as to 50% by Potassium Corp.. Each of Mr. Joseph Fung, Mr. Thomas Fung and Mr. Tony Yeung beneficially owns or has control over 33<sup>1</sup>/<sub>3</sub>% of the issued share capital of Kateman International Ltd. and was deemed (by virtue of the SDI Ordinance) to be interested in these Shares. These Shares represent the same interest and are therefore duplicated among Newtop, Kateman International Ltd., Potassium Corp., Mr. Thomas Fung, Mr. Joseph Fung, Mr. Tony Yeung and Mr. Cheng.
  2. The entire issued share capital of Potassium Corp. is beneficially owned by Mr. Cheng.
  3. These Shares are held by Best Summit, the entire issued share capital of which is owned by Dr. Lee. Dr. Lee was deemed (by virtue of the SDI Ordinance) to be interested in these Shares. These Shares represent the same interest and are therefore duplicated between Best Summit and Dr. Lee.
  4. These Shares are held by Bailey and Dr. Ho holds 65% of the issued share capital of Bailey and was deemed (by virtue of the SDI Ordinance) to be interested in these Shares. These Shares represent the same interest and are therefore duplicated between Bailey and Dr. Ho. Each of Dr. Lee and Ms. Angela Leong beneficially holds 5% of the issued share capital of Bailey.
  5. These Shares are held by Capital Speed and each of Mr. Ko and Mr. Yuen beneficially holds 51% and 49% respectively of the issued share capital of Capital Speed. Each of Mr. Ko and Mr. Yuen was deemed (by virtue of the SDI Ordinance) to be interested in these Shares. These Shares represent the same interest and are therefore duplicated among Capital Speed, Mr. Ko and Mr. Yuen.
- (c) Save as disclosed herein but without taking into account any Shares which may be taken up under the Share Offer, the Directors are not aware of any person who will immediately following completion of the Share Offer and the Capitalisation Issue and without taking into account the exercise of the Over-allotment Option be directly or indirectly interested in 10% or more of the Shares then in issue or equity interest in the Group representing 10% or more of the equity interest in such company.

#### **Particulars of service agreements**

- (a) Each of Mr. Yuen, Mr. Ko and Mr. Lawrence Ho has entered into a service agreement with the Company. Particulars of these contracts, except as indicated, are in all material respects identical and are set out below:—
- (i) each service contract is of three years duration commencing on 1st April, 2001 and shall continue thereafter until terminated by either party giving to the other not less than three months' prior written notice, such notice to expire upon or after the initial term of three years;
  - (ii) the monthly salary for each of Mr. Yuen, Mr. Ko and Mr. Lawrence Ho for the period from 1st April, 2001 to the 30th September, 2001 shall be HK\$90,000, HK\$90,000 and HK\$50,000 respectively, such salary to be reviewed annually on 1st of October by the board of Directors. Such salary shall be reviewed by the board of Directors on 1st October, 2001, provided that the rate of increment shall not be more than 70% of the then monthly salary of such Director for the preceding period. Thereafter, the monthly salary shall be reviewed annually by the board of Directors;
  - (iii) each of Mr. Yuen, Mr. Ko and Mr. Lawrence Ho is entitled to such management bonus by reference to the operating results of the Group and the performance of the Director as the board of Directors may approve;

- (iv) an end-of-year bonus in the sum equal to the Director's then one month's salary to be payable on the last day of December of each year during the term of the service agreement provided that if the appointment is terminated prior to the last day of December, the Director shall only be entitled to a proportionate part of such end-of-year bonus in respect of the period of service during the relevant year up to the date of termination; and
  - (v) 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 management bonus payable to himself.
- (b) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors has entered into any service agreements 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**

- (a) The Company's policies concerning remuneration of executive Directors are:–
- (i) the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, workload and the time devoted to the Group;
  - (ii) non-cash benefits may be provided to the Directors under their remuneration package; and
  - (iii) the executive Directors may be granted, at the discretion of the board of Directors, options pursuant to the Pre-IPO Share Option Plan and/or the Share Option Scheme, as part of their remuneration package.
- (b) An aggregate of approximately HK\$729,000 and HK\$949,000 were paid to the Directors as remuneration for the period from 24th September, 1999 to 30th September, 2000 and the four month period ended 31st January, 2001 respectively. Further information in respect of the Directors' remuneration is set out in Appendix I to this prospectus.
- (c) It is expected that an aggregate sum of approximately HK\$1,840,000 will be paid to the Directors as remuneration by the Group in respect of the period from 1st February, 2001 to 30th September, 2001 pursuant to the present arrangement excluding management bonus.
- (d) None of the Directors or any past directors of the Group has been paid any bonuses for each of the period from 24th September, 1999 to 30th September, 2000 and the four month period ended 31st January, 2001.
- (e) None of the Directors or any past directors of the Group has been paid any sum of money for each of the period from 24th September, 1999 to 30th September, 2000 and the four month period ended 31st January, 2001 (i) as an inducement to join or upon joining the Company or (ii) for loss of office as a director of the Group or of any other notice in connection with the management of the affairs of the Group.
- (f) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the period from 24th September, 1999 to 30th September, 2000 and the four month period ended 31st January, 2001.
- (g) None of the non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director.

**Others**

- (a) Apart from the Directors, four and three other individuals are amongst the five persons who receive the highest emoluments from the Group for each of the period from 24th September, 1999 to 30th September, 2000 and the four month period ended 31st January, 2001, respectively. Particulars of emoluments paid to such individuals are set out in note (3)(g)(iii) to the section headed “Notes to the financial information” set out in Appendix I to this prospectus.
- (b) On 1 June, 2000, the Company granted to iAsiacar.com Limited (“iAsiacar.com”) a non-exclusive licence to use certain trademark for an initial term of 5 years at a consideration of HK\$1. As Mr. Cheng and Mr. Ko are interested in the entire issued share capital of iAsiacar.com, such agreement was not entered into on an arm’s length basis.
- (c) On 1 June, 2000, the Company granted to isinolaw Limited (“isinolaw”) a non-exclusive licence to use certain trademark for an initial term of 5 years at a consideration of HK\$1. As Mr. Cheng, Dr. Ho and Dr. Lee are indirectly interested in approximately 75% of the issued share capital of isinolaw, such agreement was not entered into on an arm’s length basis.
- (d) None of the Directors are interested in the corporate reorganisation transactions as set out under the paragraph headed “Corporate Reorganisation” in this Appendix.

**Agency fees or commissions received**

The Underwriters will receive an underwriting commission and First Shanghai will receive a documentation fee as mentioned in the paragraph headed “Underwriting arrangements and expenses” under the section headed “Underwriting” of this prospectus.

**Disclaimers**

Save as disclosed herein:–

- (a) none of the Directors or chief executives has for the purposes of section 28 of the SDI Ordinance, nor is any of them taken to or deemed to have under section 31 of, or Part 1 of the Schedule to, the SDI Ordinance, any interests in the securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 29 of the SDI Ordinance or pursuant to rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange once such securities are listed on GEM;
- (b) none of the Directors nor any of the persons whose names are listed in the subparagraph headed “Consent of experts” under the section headed “Other Information” in this Appendix is interested in the promotion of the Company or in any assets which have within the two years immediately preceding the issue of this prospectus been acquired or disposed of by or leased to the Group, or are proposed to be acquired or disposed of by or leased to the Group;
- (c) none of the Directors nor any of the persons whose names are listed in the paragraph headed “Consents of experts” under the section headed “Other Information” in this Appendix 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;

- (d) none of the persons whose names are listed in the paragraph headed “Consents of experts” under the section headed “Other Information” in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (e) none of the Directors has entered or has proposed to enter into any service agreements with the Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);
- (f) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Share Offer or related transaction as mentioned in this prospectus; and
- (g) so far as is known to the Directors, none of the Directors, their respective Associates or shareholders of the Company who are interested in 5% or more of the issued share capital of the Company have any interests in the five largest customers of the Group or the five largest suppliers of the Group.

## SHARE OPTION SCHEMES

### Summary of terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme, conditionally approved by resolutions of the shareholders of the Company on 14th March, 2001. For the purpose of this section, references to “Board” shall mean the board of directors of the Company or a duly authorised committee thereof which shall include the independent non-executive Directors, reference to “Employee” in this section headed “Summary of terms of the Share Option Scheme” shall mean any full-time employee of the Group.

(a) *Who may join*

The board of Directors (“Board”) may, at its discretion, invite any Employee to take up options at HK\$1.00 per option to subscribe for Shares at a price calculated in accordance with sub-paragraph (d) below.

(b) *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 Chapter 16 of the GEM Listing Rules. In particular, during the period of one month immediately preceding the preliminary announcement of annual results or the publication of interim results, no option should be granted until such information has been announced pursuant to the requirements of Chapter 16 of the GEM Listing Rules.

(c) *Payment on acceptance of option offer*

HK\$1.00 is payable by the Employee to the Company on acceptance of the option offer.

(d) *Price of Shares*

The subscription price for Shares under the Share Option Scheme will be a price determined by the Board and notified to each grantee and will be the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a trading day and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of the option; and (iii) the nominal value of a Share.

(e) *Maximum number of Shares*

- (i) The Company may seek approval of its shareholders in general meetings to authorise Directors to grant options under the Share Option Scheme and any other share option schemes of the Company (including the Pre-IPO Share Option Plan) entitling the grantees to exercise up to an aggregate of 10% of the total number of Shares in issue from time to time (excluding (1) any Shares issued upon the exercise of options granted pursuant to the Share Option Scheme and any other share option schemes of the Company (including the Pre-IPO Share Option Plan); and (2) any pro rata entitlements to further Shares issued in respect of those Shares mentioned in (1)) unless the Company obtains a fresh approval from its shareholders pursuant to (ii) below.
- (ii) The Company may seek approval of its shareholders in general meetings to renew the 10% limit such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company (including the Pre-IPO Share Option Plan) in issue shall not exceed 10% of the Shares in issue at the date of approval to renew such limit (excluding (1) any Shares issued pursuant to the Share Option Scheme and any other share option schemes of the Company (including the Pre-IPO Share Option Plan), and (2) any pro rata entitlements to further Shares issued in respect of those Shares mentioned in (1)).
- (iii) The Company may grant options to specified Employee(s) beyond the 10% limit if the grant of such options is specifically approved by the shareholders of the Company in general meeting.

Notwithstanding the above, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company (including the Pre-IPO Share Option Plan) shall not exceed 30% (or such higher percentage may be allowed under the GEM Listing Rules) of the total number of Shares in issue from time to time (excluding (i) any Shares issued pursuant to the Share Option Scheme and any other share option schemes of the Company (including the Pre-IPO Share Option Plan), and (ii) any pro rata entitlements to further Shares issued in respect of those Shares mentioned in (i)).

Upon completion of the Share Offer and the Capitalisation Issue and taking no account of shares which may be issued pursuant to the Over-allotment Option, no Shares shall be subject to the Share Option Scheme under which no option shall be granted whereas the 45,000,000 Shares subject to the options conditionally granted under the Pre-IPO Share Option Plan shall represent 10% of the issued share capital of the Company at that time.

No Employee shall be granted an option which, if exercised in full, would result in such Employee becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued under all the options previously granted to him or her which have been exercised, and, issuable under all the options previously granted to him or her which are for the time being subsisting and unexercised, would exceed 25% of the aggregate number of Shares for the time being issued and issuable under the Share Option Scheme.

*(f) Requirements on granting options to connected persons*

Any grant of Options to an Employee who is a connected person (as such term is defined in the GEM Listing Rules) of the Company must be approved by the independent non-executive directors of the Company.

Where the Board proposes to grant any Option to an Employee who is a substantial shareholder (as defined in the GEM Listing Rules) or an associate of any substantial shareholder (as so defined) of the Company and such option which if exercised in full, would result in such Employee becoming entitled to subscribe for such number of Shares, when aggregated with the total number of Shares already issued, and issuable, to him or her pursuant to all the options granted to him or her in the 12 month period up to and including the date on which such proposal is made by the Board (the “Relevant Date”):

- (i) representing in aggregate more than 0.1%, of the total number of Shares in issue at the Relevant Date, and
- (ii) having a value based on the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the Relevant Date and if the Relevant Date is not a trading day, the trading day immediately preceding the Relevant Date, in excess of HK\$5,000,000,

such proposed grant of Options must be approved by the shareholders of the Company in general meeting with the Employee concerned and all other connected persons (as defined in the GEM Listing Rules) of the Company be abstained from voting (except where any connected person intends to vote against such proposed grant).

*(g) Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period of not less than three years but not more than 5 years to be notified by the Board to each grantee which period of time shall commence on the date on which an offer of the grant of an option is accepted or deemed to have been accepted and expire on such date as determined by the Board provided that (i) no options shall be exercised under the Share Option Scheme during the First Relevant Lock-up Period; (ii) during the Second Relevant Lock-up Period, the maximum number of Shares issued upon exercise of an option shall not exceed 25% of the maximum entitlement accepted by each grantee under the Share Option Scheme; (iii) during the 6 months immediately after the expiry of the Second Relevant Lock-up Period, the maximum number of Shares issued upon exercise of an option shall not exceed 50% of the maximum entitlement accepted by each grantee under the Share Option Scheme; (iv) during the 6 months immediately preceding the second anniversary of the Listing Date, the maximum number of Shares issued upon exercise of an option shall not exceed 75% of the maximum entitlement accepted by each grantee under the Share Option Scheme; and (v) an option can be exercised in full from the second anniversary of the Listing Date until the expiration of an option or the lapse of an option pursuant to the Share Option Scheme.

(h) *Rights are personal to grantee*

An option may not be transferred or assigned and is personal to the grantee.

(i) *Rights on ceasing employment*

If the grantee of an option ceases to be an Employee for any reason other than death, misconduct or certain other grounds (including bankruptcy, insolvency or a conviction of a criminal offence), the option granted to such grantee will lapse on the date of cessation (to the extent not already exercised) and will not be exercisable unless the Company otherwise determine to grant an extension at the discretion of the Company in which event the grantee may exercise the option within such period of extension and up to a maximum entitlement directed at the discretion of the Company on the date of grant of extension (to the extent not already exercised) and subject to any other terms and conditions decided at the discretion of the Company. For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of a period of three months following the date of cessation which date shall be the last actual working day with the Group whether salary is paid in lieu of notice or not.

(j) *Rights on death*

If the grantee of an option dies before exercising the option in full and none of certain events which would be a ground for termination of his or her employment arises, his or her personal representative(s) shall be entitled within a period of 12 months from the date of death to exercise the option up to the entitlement of each grantee at as the date of death (to the extent which has become exercisable and not already exercised).

(k) *Effects of alterations to capital*

In the event of an alteration in the capital structure of the Company whilst any option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of the Company as fair and reasonable will be made in the subject matter of the option so far as unexercised the subscription price and/or the method of the exercise of the option, provided that no such alteration shall be made so that a Share would be issued at less than its nominal value or which would give a grantee a different proportion of the issued share capital of the Company as that to which he or she was previously entitled and no alteration shall be made if any alteration in the capital structure of the Company is the result of an issue of Shares in the capital of the Company as consideration in a transaction.

(l) *Rights on take-over*

If a general offer by way of take-over is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) with the terms of the offer having been approved by the holders of not less than 90% in value of the Shares comprised in the offer within four months from the date of the offer and the offeror thereafter gives a notice to acquire the remaining Shares, the grantee (or his or her personal representative(s)) may by notice in writing to the Company within 21 days of such notice exercise the option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in such notice.

(m) *Rights on a compromise or arrangement*

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice to the grantee on the same date as it dispatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee of an option (or his or her personal representative (s)) may until the expiry of the period commencing with such date and ending with the earlier of the date two months thereafter and the date on which such compromise or arrangement is sanctioned by the court exercise any of his or her options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. The Company may require the grantee (or his or her personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(n) *Rights on voluntary winding-up*

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to grantees of all options granted and thereupon, the grantees (or his or her personal representative(s)) may, subject to the provisions of all applicable law, by notice in writing to the Company within two days prior to the proposed general meeting of the Company exercise their options (to the extent which has become exercisable and not already exercised) 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 the relevant Shares to the grantee credited as fully paid;

(o) *Lapse of Option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the option period within which an option can be exercised by the grantee;
- (ii) the expiry of the periods referred to in sub-paragraph (i), (j) or (l) respectively;
- (iii) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph (m);
- (iv) subject to the expiry of the period of extension (if any) referred in sub-paragraph (i), the date on which the grantee ceases to be an Employee for any reason other than death, misconduct or certain other grounds specified in sub-paragraph (o) (v) below;

- (v) the date on which the grantee of an option ceases to be an Employee by reason of the termination of his or her employment on grounds including, but not limited to, misconduct, bankruptcy, insolvency and conviction of any criminal offence (if so determined by the board); 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 under the grantee's service contract with the Group. A resolution of the Board or the board of directors of the relevant subsidiary of the company to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive;
  - (vi) the date of the commencement of the winding-up of the Company; or
  - (vii) the date on which the grantee sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option in breach of the Share Option Scheme.
- (p) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will be subject to the Company's articles of association for the time being in-force and will rank *pari passu* with the fully paid Shares in issue on the date of exercise of the option and in particular will rank in full for all dividends or other distributions declared paid or made on or after the date of exercise of the option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the date of exercise of the option.

Unless the context otherwise requires, references to "Shares" in the Share Option Scheme include references to Shares of any such nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time.

(q) *Termination*

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect.

(r) *Cancellation of Options granted*

Any cancellation of options granted but not exercised must be approved by shareholders of the Company (and also by shareholders of any holding company of the Company which is listed on the GEM and the main board of the Stock Exchange) in general meeting, with Employees and their associates abstaining from voting. Any vote taken at the meeting to approve such cancellation must be taken by poll.

(s) *Period of Share Option Scheme*

The Share Option Scheme will remain valid for a period of 5 years commencing on 14th March, 2001 after which period no further options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(t) *Alteration to Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the scheme relating to matters contained in rule 23.03 of the GEM Listing Rules shall not be altered to extend the class of persons eligible for the grant of options or to the advantage of grantees or prospective grantees except with the prior approval of the shareholders of the Company in general meeting (with 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 majority of the grantees as would be required of the Company's shareholders under the Company's articles of association for the time being for a variation of the rights attached to the Shares.

Any alteration to the terms and conditions of the Share Option Scheme, which are of a material nature, must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(u) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional on (a) the GEM Listing Committee granting the listing of and permission to deal in the Shares in issue and Shares to be issued as mentioned herein and any Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme and (b) 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 First Shanghai on behalf of the Underwriters) and not being terminated in accordance with the terms of that agreement or otherwise. Application has been made to the GEM Listing Committee for the approval of the Share Option Scheme, the granting of the options under the Share Option Scheme and the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted by the Company under the Share Option Scheme.

### **Summary of terms of the Pre-IPO Share Option Plan**

The purpose of the Pre-IPO Share Option Plan is to recognise and motivate the contribution of executive management and to provide certain directors and employees of the Company with a direct economic interest in attaining the long term business objectives of the Company. The principal terms of the Pre-IPO Share Option Plan, conditionally approved by a written resolution of the shareholders of the Company dated 14th March, 2001 (which is still subject to certain conditions as referred to in paragraph (u) of the paragraph headed "Summary of terms of the Share Option Scheme" above), are substantially the same as the terms of the Share Option Scheme except that:–

- (a) the subscription price for Shares is 70% of the Offer Price;
- (b) the total number of Shares subject to the Pre-IPO Share Option Plan is 45,000,000 and there are no similar requirements on granting options to connected persons as summarised in paragraph (f) of the paragraph headed “Summary of terms of the Share Option Scheme” above);
- (c) the definition of “Employee” includes any full time employee and any director of the Group;
- (d) 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 upon the Listing Date;
- (e) if the grantee of an option ceases to be an Employee for any reason other than death, misconduct or certain other grounds specified in sub-paragraph (o) (v) above under the heading “Summary of terms of the Share Option Scheme”, the grantee may exercise the option up to the grantee’s entitlement in accordance with sub-paragraph (e) below at the date of cessation (to the extent which has become exercisable and not already exercised) within a period of three months following the date of such cessation, which date shall be the last actual working day with the Group whether salary is paid in lieu of notice or not or such longer period as the Board may determine, failing which the option will lapse; and
- (f) the options may be exercised by each of the grantees in accordance with the terms of the Pre-IPO Share Option Plan at any time during a period of not less than three years but not more than 5 years to be notified by the Board to each grantee which period of time shall commence on the date on which an offer of the grant of an option is accepted or deemed to have been accepted and expire on such date as determined by the Board provided that (i) no options shall be exercised under the Pre-IPO Share Option Plan during the First Relevant Lock-up Period; (ii) during the Second Relevant Lock-up Period, the maximum number of Shares issued upon exercise of an option shall not exceed 50% of the maximum entitlement accepted by each grantee under the Pre-IPO Share Option Plan; and (iii) an option can be exercised in full from the expiry of the Second Relevant Lock-up Period until the expiration of an option or the lapse of an option pursuant to the Pre-IPO Share Option Plan.

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 Plan.

#### **Outstanding options granted under the Pre-IPO Share Option Plan**

As at the date of this prospectus, options to subscribe for an aggregate of 45,000,000 Shares representing 10% of the total issued share capital of the Company immediately after completion of the Share Offer and the Capitalisation Issue without taking into consideration the exercise of the Over-allotment Option, at an exercise price equal to 70% the Offer Price have conditionally been granted by the Company under the Pre-IPO Share Option Plan. The period during which each option is exercisable is a period of not less than three years but not more than five years to be notified by the Board and to each grantee which period shall commence on the date on which an offer of the grant of an option is accepted or deemed to have been accepted, but each shall lapse if the relevant grantee ceases to be employed by the Company or ceases to be a director of the

Company. Particulars of the outstanding options granted to the grantees who are executive Directors and senior management of the Company are set out below:

Name of grantee	Address	Number of Shares subject to the Options	Approximate percentage of issued share capital immediately after completion of the Share Offer and the Capitalization Issue upon exercise of Option (%)
<b>Directors</b>			
Dr. Ho	No.1 Repulse Bay Road, Hong Kong	2,100,000	0.47
Mr. Tony Fung	Flat 23B, 23rd Floor, Block 3, 8A Old Peak Road, Hong Kong	2,100,000	0.47
Dr. Lee	Apartment 6A, Hatton House, 15 Kotewall Road, Hong Kong	8,961,458	1.98
Mr. Ko	19C, Skyscraper, 132-142 Tin Hau Temple Road, North Point, Hong Kong	8,961,458	1.98
Mr. Lawrence Ho	9 Old Peak Road, Central, Hong Kong Penthouse A, Broadview Villa, 20 Broadwood Road, Happy Valley, Hong Kong	2,100,000	0.47
Mr. Yuen	B-2, 17/F., Villa Monte Rosa, 41A Stubbs Road, Hong Kong	2,822,916	0.62
Mr. Cheng	No. 12, Repulse Bay Road, Hong Kong	2,100,000	0.47
<b>Senior management</b>			
Kwok Man Ki, Kino	Flat 12A, Block 1, Harmony Garden, Siu Sai Wan, Hong Kong	5,260,417	1.17
Wong Kwok Tung, Gordon	F2-20/F, 43 Stubbs Road, Hong Kong	6,766,666	1.50
Mr. Robin Miles	18/F, Woodlands Terrace, No 4 Woodlands Territories, Hong Kong	1,477,083	0.33
Au Yin Chun, Grace	Flat D, 18/F, Block 6, Mount Haven, 3 Liu To Road, Tsing Yi, New Territories	391,667	0.09
Turner, Neil	Flat C, 27/F, Tower B, 268 Queen's Road, Central, Hong Kong	391,667	0.09
Cheung Chi Ming, Walter	12D, Tower 5, Metro City Phase I, 1 Wan Hang Road, Tseung Kwan O, New Territories	391,667	0.09
Tam Chun Fai, Alan	Unit B, 51/F, Tower II, Tierra Verde, Tsing Yi, New Territories	391,667	0.09
Tsai Hoi Yuen, Kelvin	Flat D, 142 - 144 Argyle Street, Kowloon	391,667	0.09
Fung Wai Har, Amanda	Flat B, 5/F, Block 52, City One Plaza, Shatin, New Territories	391,667	0.09
<b>Total</b>		<b>45,000,000</b>	<b>10</b>

**OTHER INFORMATION****Estate duty and tax indemnity**

The Initial Management Shareholders other than the JAFCO Investments (the “Indemnifiers”) have given joint and several indemnities in the deed of indemnity (the document referred to in paragraph (i) in the subsection headed “Summary of material contracts” in this Appendix) in connection with, inter alia, any liability for Hong Kong estate duty which might be payable 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 and any other tax liabilities of the Group on or before the date on which the Share Offer becomes unconditional.

Pursuant to the same deed of indemnity referred to above, the Indemnifiers have also given joint and several indemnities to the Group in respect of taxation which might be payable by any member of the Group in respect of any income, profits or gain earned, accrued or received on or before the date on which the Share Offer becomes unconditional except in certain circumstances including:

- (a) where provision has been made in the audited accounts of the Group up to 31st January, 2001; or
- (b) for which any member of the Group is liable since 31st January, 2001 unless such liability would not have arisen but for some act or omission of, or transaction entered into by, the Indemnifiers, or such member of the Group without the consent or agreement of the Indemnifiers otherwise than in the course of normal day to day operations of such member of the Group on or before the date on which the Share Offer becomes unconditional;
- (c) where such liability arises or is incurred as a consequence of any change in the law having retrospective effect and coming into force after the date hereof or where such liability arises or is increased by an increase in rates of taxation with retrospective effect;
- (d) any member of the Group is primarily liable to such taxation as a result of transactions entered into in the ordinary course of business after 31st January, 2001; or
- (e) provision or reserve made for such taxation in the audited accounts of the Group is established to be an over-provision or an excessive reserve.

**Litigation**

- (a) The Company is currently in dispute in relation to certain service fees of approximately £489,000 (equivalent to approximately HK\$5,760,000) charged by one of its third party suppliers (“Supplier”) in respect of work performed by the Supplier to the Company. On the basis of the Company’s own assessment of the services rendered by the Supplier and professional legal advice, the Directors are of the opinion that such charges are unreasonable and not justifiable under the agreement with the Supplier and intend to challenge the charges on the above grounds. A threatened claim was made by the Supplier against the Company on 30th November, 2000 for the unpaid invoices for the work done between April and September 2000.

- (b) Legal Proceedings were instituted by Lane Ventures Limited (“Claimant”) on 11th January, 2001 alleging that the Company had promised to pay a monthly remuneration to the Claimant, to reimburse the Claimant’s related travelling expenses and to grant certain options to the Claimant to purchase shares in the Company in consideration of the Claimant rendering its consultancy services to the Company. In the said proceedings, the Claimant is, among other things, claiming from the Company an amount of approximately HK\$473,000.00 and an order that the Company to grant the options as mentioned above to the Claimant. A defence has been filed by the Company. On the basis of the information available to date, the Directors are of the view that no agreement exists between the Claimant and the Company. The Company will defend vigorously the legal action taken by the Claimant. On the basis of the legal advice received, the Company has a reasonable chance to defend itself against the allegation successfully.

Apart from the aforesaid, no member of the Group 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 any member of the Group.

Pursuant to the deed of indemnity referred to under the paragraph headed “Estate duty and tax indemnity” above, the promoters of the Company, namely Longson, Newtop, Best Summit, Bailey and Capital Speed, and their respective beneficial owners who are also initial management shareholders of the Company, have given joint and several indemnities in favour of the Group in relation to any loss and damages suffered by the Group in connection with the threatened claim and the legal proceedings as referred to in this sub-section.

### **Sponsor**

First Shanghai has made an application on behalf of the Company to the GEM Listing Committee for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and any Shares falling to be issued pursuant to the exercise of options granted under the Share Option Scheme.

### **Preliminary expenses**

The preliminary expenses of the Company are estimated to be approximately HK\$10,000 and are payable by the Company.

### **Promoters**

The promoters of the Company are Longson, Newtop, Best Summit, Bailey and Capital Speed. Particulars of the promoters are set below:–

#### *Longson*

Longson is a company incorporated in Hong Kong with limited liability on 15th August, 1991, the registered office of which is at Suite 51, 5th Floor, New Henry House, 10 Ice House Street, Central, Hong Kong. As at the Latest Practicable Date, the paid up share capital of Longson was HK\$2.00 divided into 2 shares of HK\$1.00 each.

The board of directors of Longson comprises Mr. Fung Yiu Fai, Peter and Mr. Tony Fung. No principal banker of Longson has been appointed as at the Latest Practicable Date and the auditor of Longson is PricewaterhouseCoopers.

*Newtop*

Newtop is a company incorporated in Hong Kong with limited liability on 22nd October, 1999, the registered office of which is at 23rd Floor, New World Tower, 18 Queen's Road Central, Hong Kong. As at the Latest Practicable Date, the paid up share capital of Newtop was HK\$2.00 divided into 2 shares of HK\$1.00 each. No principal banker and auditor has been appointed as at the Latest Practicable Date.

The board of directors of Newtop comprises Mr. Cheng and Mr. Thomas Fung.

*Best Summit*

Best Summit is a company incorporated in Hong Kong with limited liability on 5th July, 1999, the registered office of which is at Room 1616-17, 16th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. As at the Latest Practicable Date, the paid up share capital of Best Summit was HK\$2.00 divided into 2 shares of HK\$1.00 each.

The board of directors of Best Summit comprises Dr. Lee and Mrs. Lee Wong Fun Chong. The principal banker of Best Summit is Credit Agricole Indosuez and the auditor of Best Summit is Victor Tsui & Co.

*Bailey*

Bailey is a company incorporated in Hong Kong with limited liability on 6th August, 1980, the registered office of which is at Room 1616-17, 16th Floor, China Merchants Tower, 168-200 Connaught Road Central, Hong Kong. As at the Latest Practicable Date, the paid up share capital of Bailey was HK\$100.00 divided into 100 shares of HK\$1.00 each.

The board of directors of Bailey comprises Dr. Ho, Dr. Lee, Ms. Wong Fung Mui, Mr. Lee Sing Man, Mrs. Lee Wong Fun Chong and Mr. Shum Ming Cho. The principal banker of Bailey is Credit Agricole Indosuez and the auditor of Bailey is Victor Tsui & Co.

*Capital Speed*

Capital Speed is a company incorporated in Hong Kong with limited liability on 11th February, 2000, the registered office of which is at Flat C, 19th Floor, Skyscraper, 132-134 Tin Hau Temple Street, North Point, Hong Kong. As at the Latest Practicable Date, the paid up share capital of Capital Speed was HK\$100.00 divided into 100 shares of HK\$1.00 each.

The board of directors of Capital Speed comprises Mr. Ko, Mr. Yuen and Mr. Kwok Man Ki, Philip Kino. No principal banker and auditor has been appointed as at the Latest Practicable Date.

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no amount or benefit 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 following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
PricewaterhouseCoopers Sallmanns (Far East) Ltd.	Certified public accountants Property valuers

**Consents of experts**

Each of PricewaterhouseCoopers and Sallmanns (Far East) Ltd. has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

**Miscellaneous**

- (a) Save as disclosed in this prospectus:
- (i) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) 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;
  - (iii) no founders, management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued; and
  - (iv) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries.
- (b) None of PricewaterhouseCoopers and Sallmanns (Far East) Ltd.:
- (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.
- (c) No share of any company within the Group is presently listed on any stock exchange or traded on any trading system.
- (d) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

## **DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong were copies of the **WHITE** and **YELLOW** application forms, the written consents referred to in the sub-paragraph headed “Consents of experts” under the paragraph headed “Other information” in Appendix IV to this prospectus and copies of the material contracts referred to in the paragraph headed “Summary of material contracts” under the paragraph headed “Further information about the business” in Appendix IV to this prospectus.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Woo, Kwan, Lee & Lo of 27th Floor, Jardine House, 1 Connaught Place, Hong Kong during normal business hours up to and including 6th April, 2001:

- (a) the memorandum of association of the Company and the Articles of Association;
- (b) the accountants’ report prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) such audited financial statements as have been prepared for the Company from 24th September, 1999 to 30th September, 2000;
- (d) the letter, summary of valuation and valuation certificate relating to the property interests of the Group prepared by Sallmanns (Far East) Ltd., the text of which is set out in Appendix III to this prospectus;
- (e) the rules of the Pre-IPO Share Option Plan and the Share Option Scheme;
- (f) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix IV to this prospectus, together with the service agreements with certain executive Directors referred to in the paragraph headed “Particulars of service agreements” in Appendix IV to this prospectus; and
- (g) the written consents referred to in the paragraph headed “Consents of experts” under the paragraph headed “Other information” in Appendix IV to this prospectus.