
RISK FACTORS

Prospective investors of the Offer Shares should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks in connection with any investment in the Company, certain of which may not be typically associated with investing in equity securities of companies in Hong Kong or other economically advanced jurisdictions.

RISKS RELATING TO THE BUSINESS AND OPERATIONS OF THE GROUP AND THE INDUSTRY

Risks related to the joint venture with iBusiness Corporation and non-competition undertaking in connection with the provision of ASP services

The ASP Business is conducted through i21 Limited, a joint venture owned as to 37.5 per cent. by the Group and 62.5 per cent. by a wholly-owned subsidiary of iBusiness Corporation. Pursuant to the joint venture agreement, the Group will make available its suite of enterprise software to and allow the use of its infrastructure of technology development platform and technology knowhow by i21 Limited. Co-operation between the Group and iBusiness Corporation on existing and future business decisions is an important factor for the sound operation and financial success of the ASP Business. The joint venture may involve special risks associated with the possibility that iBusiness Corporation may (i) have interests or goals that are inconsistent with those of the Group, (ii) take actions contrary to the instructions, requests, policies or objectives of the Group, and (iii) be unwilling or unable to fulfil its obligations relating to the joint venture. Although the Directors expect that the Group will be responsible for the day-to-day operation of the ASP Business, the Company, as an indirect minority shareholder in the joint venture, is not able to control the decision making process at the board or shareholders level. In addition, any disputes between them over the joint venture could affect the operations and financial results of the ASP Business.

Either the Group or iBusiness Corporation may terminate the joint venture if the other party fails to meet its obligations. In such a situation, the non-defaulting party will have the right to purchase all of the shares of the defaulting party in i21 Limited within three months of the date of default at a price of 65 per cent. of the fair value thereof as determined by the auditors of the Company. The joint venture agreement includes a non-competition provision to the effect that if at any time when the Company is a shareholder in i21 Limited or within 12 months after the Company ceases to be a shareholder of i21 Limited, the Company shall not, in any country or place, carry on or be engaged, concerned or interested directly or indirectly in carrying on any business carried on by i21 Limited then or within one year prior to the date of such cessation. Therefore, termination of the joint venture may adversely affect the prospects of the ASP Business, which could have a material adverse effect on the Group's reputation and business.

Limited operating history of the ASP Business and unproven e-commerce business model

The launch of the ASP Business was only recently announced in March, 2000 and the strategy in connection with the ASP Business and the Group's e-commerce initiatives is unproven. The potential of the ASP Business and other e-commerce initiatives must be assessed in light of the risks and uncertainties associated with developing a new line of business, many of which may be beyond the Group's and/or its partners' control. In addition,

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since the information technology and Internet markets are new and rapidly evolving, companies competing in them may face additional uncertainties not faced by companies operating in more established market segments. There can be no assurance that the Group will be successful in meeting the challenges and addressing the risks and uncertainties that will be faced by it. Failure by the Group to do so may have a material adverse effect on the Group's results of operations.

In particular, the business model of the ASP Business is relatively new and although it offers significant growth opportunities, it also faces challenges associated with emerging industries. ASPs will face off-line substitutes in the form of legacy systems, non-networked PC-based systems as well as conventionally networked enterprise applications. Potential customers may have direct channels to other software suppliers and legacy systems and prefer to continue with their existing systems and relationships. As a result, they may be reluctant to adopt the services provided by the ASP Business because of their comfort with the status quo, security and privacy concerns or general reticence about technology or the Internet. In addition, there may be a large number of companies who will seek to take advantage of businesses' increased demands for Internet applications and services. ASPs may also face competition from data centres and ISPs, as well as more traditional hardware and software companies who form strategic partnerships to offer similar services. For the above reasons, there can be no assurance that the ASP Business will succeed and failure of the ASP Business may affect the Group's reputation and financial condition.

Risks related to intellectual property rights and name of the Company

The Group relies on a combination of nondisclosure, confidentiality and other contractual agreements with its directors, employees and other third parties, as well as privacy and trade secret laws, to protect and limit access to and distribution of intellectual property the Group has developed or acquired. In addition, the Group's software requires specific customisation according to the particular needs of its customers and this therefore reduces the likelihood that the Group's software will be pirated. However, given that the Group is operating in the IT industry, it may be possible that the Group will have to litigate to enforce or protect the intellectual property rights of the Group, including copyright, trade marks, service marks, or to determine the validity and scope of the proprietary rights of others, which could result in substantial costs and diversion of the Group's resources. In addition, if the Group is unable to establish or protect these rights in the domestic and international markets in which the Group competes, its competitors may be able to use the intellectual property of the Group to compete against the Group in such markets. The Group cannot be certain that the steps it has taken to protect its intellectual property rights will be adequate or that third parties will not infringe or misappropriate its proprietary rights. Any infringement or misappropriation could have a material adverse effect on its business.

The Group has been using the "Excel" mark in Hong Kong since 1988 in relation to IT consultancy services. The Company applied for the registration of the trade marks "志鴻" and "Excel" in Hong Kong under classes 9, 35 and 42 on 24th February, 2000, "Excel 志鴻" in Hong Kong under classes 37 and 41 on 28th April, 2000, and the trade marks "志鴻" and "Excel" in Singapore under classes 9, 35 and 42 on 8th March, 2000. Currently, the Directors are aware that two companies in the United States have a name or product bearing reference to "Excel" which may be confused with the Company. Excel Technology Inc., a Nasdaq listed company incorporated under Delaware law, designs, develops, manufactures and markets laser systems and electro-optical components for industry, science and medicine. In addition,

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Microsoft Inc. has been producing a spreadsheet software under the mark “Excel”. The search of the Trade Mark Registry in Hong Kong conducted in January, 2000 did not disclose any trade mark applications or registrations for the word “Excel” in Hong Kong in the name of Microsoft Inc. or Excel Technology Inc. The Company is not in any way related to the above-mentioned companies or product, is not aware of any instances of confusion arising due to the use by the Group of the “Excel” mark, and has not received any complaint from either of the said companies or any other parties about the use of the word “Excel” as the name and trade mark of the Company. Should a complaint arise, the Company will vigorously defend its right to the use of the word “Excel” as part of its name and trade mark. The Company realises that if it were unsuccessful in its defence, it could face an award of damages and legal costs and restrictions on its ability to use “Excel Technology” or “Excel” as its name or trade mark. In addition, any such defence would result in the diversion of resources, which could, regardless of the merit of any such complaint, or the outcome of any litigation in respect thereof, have a material adverse effect on the financial condition and results of operations of the Group.

Risks related to rapid technological change

The markets in which the Group operates are characterised by rapidly changing technology, evolving industry standards, frequent new service and product announcements, introductions and enhancements and changing customer demands. These market characteristics are exacerbated by the emerging nature of the Internet and the growing tendency for web-based products and services for a multitude of industries to be provided through the Internet. Accordingly, the Group’s future success will depend on its ability to adapt to rapidly changing technologies, to adapt its services to evolving industry standards and continually to improve the performance, features and reliability of its products and services in response to competitive service and product offerings and evolving demands of the market place. Failure of the Group to adapt to such changes could have a material adverse effect on the Group’s business.

In addition, the adoption of new Internet, networking or telecommunications technologies or other technological changes could require substantial expenditure by the Group to modify or adapt its products and services, which could have a material adverse effect on the Group’s business.

Competition

The markets for software applications and services and Internet-based software services are highly competitive and are characterised by an increasing number of entrants that have introduced or developed products and services similar to those offered by the Group. The Group competes with Hong Kong and international vendors or service providers, and as the Group expands its geographical coverage outside Hong Kong, it will also have to compete with other local and international vendors or service providers. The Group’s competitors (including potential competitors) may have substantially greater resources, larger customer bases, greater name recognition and more established relationships than the Group. As a result, these competitors may be able to adapt to new or emerging technologies and changes in customer requirements more quickly, take advantage of business opportunities more readily, devote greater resources to the marketing and sale of their products and services and adopt more aggressive pricing policies than the Group. This intense competition may limit the profitability of the Group or result in a loss in the Group’s market share.

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The introduction of new technologies may also increase the competitive pressures on the Group by, for example, enabling the Group's competitors to offer a lower-cost product or service.

Risks related to rapid growth and expansion

The Group is currently undergoing a phase of expansion and intends to continue to grow its business in terms of geographical coverage, products portfolio, distribution channels, facilities and headcount. The Group has entered and may in the future continue to enter into strategic alliances and other business relationships with one or more of its Strategic Investors and other third parties. Such expansion may place a significant strain on the Group's management, operational and financial resources.

In particular, the Group believes that the promotion and continuous strengthening of the ASP Business and the Group's e-business services is critical to achieving widespread acceptance of such services and customer loyalty. Competition from other ASPs and content providers increases the importance of establishing and maintaining recognition of the ASP Business and the Group's e-business services which in turn will depend largely on the success of marketing efforts and the ability to provide high quality products and services that can effectively make use of the Internet as the communication medium. In order to achieve this, the Group may need to significantly increase its research and development and marketing budget and otherwise increase its financial commitment.

There can be no assurance that the Group will be successful in generating sufficient cash from sales of products and services or in raising capital in sufficient amounts in a timely manner and on terms acceptable to it for implementing the Group's expansion plans. There can also be no assurance that the Group's current and planned personnel, systems, procedures and controls will be adequate to support the Group's future operations, that management will be able to hire, train, retain, motivate and manage required personnel or that the Group's management will be able to identify, manage and exploit existing and potential strategic relationships and market opportunities. The various growth initiatives may or may not yield increased revenue that will offset the expenses incurred by the Group. The failure of the Group to manage growth effectively could have a material adverse effect on the Group's business.

Lack of long term contracts and diverse customer base

The Group's revenues are primarily derived from fees for services rendered (including on a project-by-project basis), rather than from long term contracts. Historically, the Group's revenue has been derived from a limited number of customers that use the Group's products and services and the Group expects that a limited number of customers may continue to account for significant percentage of its revenue for the foreseeable future. The Group's top five customers accounted for about 40 per cent. of the Group's turnover for each of the two years ended 31st December, 1998 and 1999, respectively. Customers purchase the Group's products and services on an order-by-order basis and are not obliged to choose to work with the Group on future projects. The absence of long term contracts creates uncertainty as to future revenue streams. To the extent that the Group is unable to add new major customers or secure new engagements with existing customers, the Group's business will be materially adversely affected.

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Dependence on key executives and personnel

The Group's performance depends to a significant extent on the continued services and performance of its senior management and other key personnel. The Group's performance also depends on its ability to retain and motivate its other officers and employees. The Group does not have employment agreements in excess of three years with any of its executive Directors and such agreements are terminable upon not less than six months' advance notice, and employment agreements with senior management are terminable upon two months' advance notice.

In addition, the Group will need to recruit additional personnel to achieve its planned expansion. Competition for employees with the necessary experience and expertise in the IT industry is intense and is expected to increase, and the Group may not be able to retain existing employees or identify and recruit new employees because of such competition. The failure of the Group to recruit and retain the necessary personnel, or the loss of the services of any of its key personnel, could have a material adverse effect on the Group's business.

Potential service and product liabilities

Many of the solutions and software applications the Group develops are critical to the operations of its customers' businesses. Any defects or errors in these solutions and software applications could result in delayed or lost customer revenues, adverse customer reaction toward the Group, negative publicity, additional expenditures to correct the problems and claims against the Group.

The Group usually negotiates with its customers to include contract provisions limiting its liabilities arising from negligent conduct in rendering its products and services. Such exemption clauses, however, may not be completely effective in protecting the Group from liability for damages. The Group currently does not carry any product or service liability insurance.

Unpredictability of revenue and profitability

As a result of the nature of the markets in which the Group competes, the Directors believe that period-to-period comparisons of results of operations are not necessarily meaningful. Also, it is difficult to forecast the Group's periodic results due to the difficulty in predicting the amount and timing of customer expenditures and the success of the ventures and businesses entered into by the Group. The Group's results of operations may also fluctuate significantly in the future as a result of a variety of factors, many of which are beyond its control. Investors should not rely on the results of any one period as an indication of the Group's future performance. If in some future period the Group's results of operations were to fall below the expectations of securities analysts and investors, the trading price of the Shares would likely decline.

In particular, the Group enters into projects which vary in size and scope. A customer that accounts for a significant portion of the Group's revenues from its IT consultancy and systems integration business in one period may not generate a similar amount of revenues, if any, in subsequent periods. A decrease in the number or size of the Group's projects from period to period may adversely affect the results of operations of the Group. This risk also applies to sales of enterprise software.

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Failure to accurately estimate the time and resources necessary for the performance of the Group's services

Over 30 per cent. of the Group's turnover in each of the three years ended 31st December, 1999 was generated from fixed price contracts, and not on a time-and-material basis. If the Group fails to estimate accurately the resources and time required for an engagement, to manage customer expectations effectively or to complete fixed price engagements within the budget, on time and to customer expectations, the Group would be exposed to costs overruns, potentially leading to losses on these engagements and to customer dissatisfaction which could impair its ability to win future work from the customers and other potential customers.

Risks associated with maintaining reputation and name recognition

The Directors believe that establishing and maintaining a good reputation and name recognition is critical for attracting and expanding the Group's targeted customer base. The Directors also believe that the importance of reputation and name recognition will increase due to the growing number of professional Internet solutions providers. Promotion and enhancement of the Group's name will depend largely on its success in continuing to provide high quality products and services, which cannot be guaranteed. If customers do not perceive the Group's products and services to be effective or of high quality, its brand name and reputation could be materially adversely affected.

Reliance on the banking and finance sector

The principal focus of the Group's business is the banking and finance sector. This sector is the Group's biggest customer and consequently, the Group's operating results depend largely on continued sales to it. The banking and finance sector accounted for approximately 66 per cent. of the Group's net sales for 1999.

The banking and finance sector is one which is inextricably linked with the economic cycle and the Asian region recently experienced an economic downturn. The Hong Kong banking and finance sector is also deeply connected with the state of the international banking and finance sector due to the significant presence of leading financial institutions in Hong Kong and the international operations of Hong Kong financial institutions. There can be no assurance that any future adverse fluctuations in the Asian or world markets which leads to a recession or further consolidation of the banking and finance sector would not have an adverse impact on the Group's operations and financial condition.

The Group's business is likely to continue to depend in the foreseeable future on the banking and finance sector as its biggest customer. In the event that this sector's need for the services and products provided by the Group were to significantly lessen or if the Group's competitors were to capture the application software products market for the banking and finance sector, this may have a material adverse effect on the Group's operations and financial condition.

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Potential systems failures and disruptions

The performance of the ASP hardware and software infrastructure is critical to the ability of the ASP Business to process transactions, provide high quality service and attract and retain customers and strategic partners. The Group's IT systems and facilities are situated in three different locations, and the systems and facilities at one of the locations are therefore able to provide back-up for the systems and facilities situated at the other two locations. Currently, infrastructure and systems of the ASP Business are located at one site in Hong Kong. Pursuant to a memorandum of understanding entered into by i21 Limited as further described under "Business — The ASP Business — Strategic alliances", it is contemplated that the back-up for the ASP Business will be provided by facilities management provider Hutchison Global Crossing. Nevertheless, any disruption to this infrastructure and to the Group's general operating systems resulting from a natural disaster or other event could result in an interruption in service, fewer transactions and, if sustained or repeated, could impair the reputation and the attractiveness of the products and services offered by the Group and the ASP Business.

Reliance on third party providers and business partners

The Group depends on third party suppliers of hardware and (to a lesser extent) software components, in particular, in connection with its IT consultancy and systems integration business and the ASP Business. The ASP Business relies on business partners and on other third parties for the provision of hardware and software infrastructure, networking support and facilities management services, and the ability of the ASP Business to deliver a quality service also depends on the performance of such business partners. The Group is an authorised reseller of a number of brandname IT products. The resale of IT products often comes as part of a systems integration project in which the Group is appointed to provide an integrated solution, involving the use and bundling of the Group's enterprise software as well as the brandname IT products. If the authorised reseller status of the Group were terminated, or should there be any failure of the Group's suppliers to satisfy the requirement for software and hardware infrastructure in relation to the ASP Business, it could affect the operating efficiency and results of operations of the Group and impair the Group's ability to execute its strategies and business objectives. This is particularly so if the Group were unable to identify alternative sources of supply for such software and hardware components.

The Group's e-commerce initiatives (including its joint venture with iBusiness Corporation to operate the ASP Business) are dependent upon ISPs and telecom carriers, some of which may have experienced significant system failures and electrical outages in the past. Users of the services offered by the Group and the ASP Business may in the future experience difficulties due to system failures unrelated to the systems and services of the Group. Any system failure or inadequacy that causes interruptions in the availability of services, or increases the response time, could reduce user satisfaction and the attractiveness of the services to customers and may result in potential liabilities to such customers.

Risks associated with possible acquisitions

The Group may pursue potential acquisitions of businesses, products and technologies that could complement or expand the Group's business. There can be no assurance that the Group will be able to identify any appropriate acquisition candidates. Even if the Group is able to identify an acquisition candidate, there can be no assurance that the Group will be able to

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successfully negotiate the terms of any such acquisition, finance such acquisition or integrate such acquired business, products or technologies into the Group's existing business and products. Furthermore, the negotiation of potential acquisitions as well as the integration of an acquired business may cause diversion of management's time and resources, and require the Group to use proceeds from the Share Offer to consummate a potential acquisition. There can be no assurance that a given potential acquisition, whether or not consummated, would not have a material adverse effect on the Group's business, financial condition and results of operations. If the Company consummates one or more significant acquisitions the consideration of which consists of Shares, shareholders could suffer dilution of their ownership interests in the Company.

Year 2000 compliance

The Directors believe that the Group's internal software and hardware systems will function properly with respect to dates in the year 2000 and thereafter. However, certain problems could arise during this year and future periods which have yet to become apparent.

The Group has verified that its enterprise software are year 2000 compliant. Although the Group does not warrant the compliance of third party software and hardware, the Group has given year 2000 warranties in respect of the software applications that it developed. There is therefore a risk that customers for whom the Group has created, implemented or reviewed software or systems will attempt to hold the Group liable for any damages that may result in connection with year 2000 problems with such software or systems. There can be no assurance that such actions against the Group would not adversely affect the Group's business, operating results and financial condition.

There is no assurance that other web applications, database software or computer hardware of the Group's customers which interface with the Group's products (and which may be necessary in order to use the Group's products) are year 2000 compliant. Therefore, there can also be no assurance that implementations of the Group's products on its customers' systems are year 2000 compliant.

Reliance on Internet infrastructure

The business of the Group will rely to a certain extent on the Internet infrastructure. If Internet usage continues to grow rapidly, the infrastructure of the Internet may be unable to support the demands of the ASP Business and the Group's Internet-enabled enterprise software and e-commerce initiatives. If the existing or potential customers of the Group's services experience frequent outages or delays on the Internet, the adoption or use of the ASP Business and the Group's Internet-enabled enterprise software and e-commerce initiatives may grow more slowly than it expects or even decline. The Group's ability to increase the reliability of the ASP Business and its Internet-enabled enterprise software and e-commerce initiatives is limited by and depends upon the reliability of both the Internet and the internal networks of its existing and potential customers. As a result, if improvements in the infrastructure supporting both the Internet and the internal networks of customers are not made in a timely fashion, the Group may have difficulty in obtaining new customers, or maintaining its existing customers, either of which could reduce its potential revenues and have a negative impact on its business.

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Exposure to security risks associated with transacting business over the Internet

The secure transmission of confidential information over the Internet is essential to maintaining customer confidence in the ASP Business and the Group's Internet-enabled enterprise software and e-commerce initiatives. Customers generally are concerned with security and privacy on the Internet and any publicised security problems could inhibit the growth of the Internet, and therefore the growth of the ASP Business, the Group's Internet-enabled enterprise software business and e-commerce initiatives. A party that is able to circumvent the security systems of the Group or the ASP Business could misappropriate proprietary information or cause interruptions or disruptions to the services provided. The Group will continue to implement measures to protect itself against the threat of, and to remedy, security breaches and its consequences. Despite the implementation of security measures, the ASP Business and the Group's Internet-enabled software and e-commerce initiatives may be vulnerable to unauthorised or illegal access, computer viruses and other disruptive problems. Eliminating these problems may require interruptions, delays or cessation of service to customers. Security breaches may also damage the Group's reputation and expose it to a risk of loss or litigation and possible liability. If any such compromise of the Group's security were to occur, it could negatively affect the Group's business.

Dependence on the Internet as viable mass commercial marketplace

The financial prospects of the Group's Internet-enabled enterprise software, the ASP Business and the Group's e-commerce initiatives are, in part, dependent on the anticipated expansion of e-commerce. The ability to generate and maintain significant revenues from such operations and initiatives not only depends on the Group's ability to attract businesses to such products and services, but also on the Internet gaining public acceptance as a medium through which to transact.

The Internet may not prove to be a viable mass commercial marketplace for a number of reasons, including public distrust due to concerns over the reliability of the Internet as a communication and transaction medium, concerns over privacy, legal, regulatory and taxation issues, and inconsistent quality of service. There can be no assurance that the Group will be able to successfully establish an e-commerce model that will be accepted as a medium through which business is conducted. Failure to establish such a model could have a material adverse effect on the Group's e-commerce business.

Uncertain government regulations over conduct of business on the Internet

The application of existing laws to the Internet and Internet-related applications is uncertain and as a result is being clarified and refined around the world. The vast majority of relevant laws were adopted prior to the advent of the Internet and related technologies and, as a result, do not contemplate or address the unique issues presented by the Internet and related technologies. Such laws relate to issues such as freedom of expression, content and quality of products and services, property ownership, copyright and other intellectual property issues, taxation, security and personal privacy. In addition, in many jurisdictions, new legislative and regulatory proposals applicable to the Internet are under consideration.

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The adoption of laws or regulations in relation to any such issues could decrease the rate of growth of Internet use, which in turn could decrease the demand for the Group's products and services or increase the cost of doing business. There can be no assurance that any state or country will not introduce legislation or regulations in the future in relation to these or other issues, in such a way that would not have a material adverse effect on the Group's Internet related businesses.

RISKS RELATING TO POLITICAL AND ECONOMIC CONSIDERATIONS

Risks related to geographical expansion of operations

The Group plans to expand its operations into the PRC and countries in Southeast Asia with the objective of enhancing the Group's revenue growth, operations and profitability. The planned expansion of the operations of the Group into other countries including the PRC could expose the business of the Group to a number of risks including unexpected changes in regulatory requirements, potentially adverse tax and regulatory consequences, export and import restrictions and controls, tariffs and other trade barriers and political instability and fluctuations in currency exchange rates. In addition, the planned expansion may result in significant capital expenditures by the Group which may or may not be recoverable, and may divert management's attention from other business concerns.

The development of the Internet and related technologies is at an even earlier stage in the PRC than in many other jurisdictions. In addition, the PRC government has issued and is considering imposing further restrictions on the flow of information over the Internet.

There can be no assurance that the PRC government will not seek to control or regulate the proposed business activities which the Group expects to seek to carry on in the PRC. In addition, there can be no assurance that one or more of the factors discussed above will not have a material adverse effect on the Group's future PRC operations and, consequently, on the Group's business.

Potential currency exchange rate risk

Historically, apart from the Convertible Notes which have already been converted into Shares, substantially all revenues, expenses and liabilities of the Group have been denominated in HK dollars. The Directors therefore do not consider that the Group was significantly exposed to any foreign currency exchange risk. In the future, the Group may conduct business in additional jurisdictions which could generate revenues, expenses and liabilities in other currencies. As a result, the Group will be subject to the effects of exchange rate fluctuations with respect to any of these currencies. Future exchange rate fluctuations could have a material adverse effect on the business and financial condition of the Group. The Group does not have immediate plans to enter into agreements or purchase instruments to hedge its potential exchange rate risks.

Political and economic risks of doing business in Hong Kong

Substantially all of the operations of the Group are currently in Hong Kong. Hong Kong is a special administrative region of the PRC with its own government and legislature. Under

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the Basic Law, Hong Kong is entitled to a high degree of autonomy from the PRC under the principle of “one country, two systems”. However, there can be no assurance that Hong Kong will continue to enjoy its current level of autonomy from the PRC, and if it does not, this could have a material adverse effect on the Group’s business.

As a result of the Asian crisis in mid-1997, interest rates in Hong Kong rose significantly, real estate values and retail sales declined and the Hong Kong economy went into recession until the second quarter of 1999. The Hong Kong dollar was subject to currency speculation in 1998 and the Hong Kong government supported the market for the Hong Kong dollar, both directly and indirectly through the purchase of securities listed on the Stock Exchange in 1998. There can be no assurance that such economic factors will not recur. Recurrence of recession in Hong Kong and deflation could materially and adversely affect the business, financial condition and results of operations of the Group.

RISKS RELATING TO THE SHARE OFFER AND INFORMATION CONTAINED IN THIS PROSPECTUS

Possible differing interests of the Initial Management Shareholders and other shareholders

Upon completion of the Share Offer and the Capitalisation Issue and on the assumption that the Over-allotment Option is not exercised, the Initial Management Shareholders will control approximately 65.15 per cent. of the enlarged issued share capital of the Company immediately following completion of the Share Offer and the Capitalisation Issue (based on the offer of initially 150,000,000 Shares). Accordingly, the Initial Management Shareholders will have significant influence in determining the outcome of any corporate transaction or other matter submitted to shareholders for approval, including mergers, consolidations and sale of all or substantially all of its assets, and will have the power to prevent or cause a change in control. The interests of the Initial Management Shareholders may differ from the interests of the other shareholders.

Certain statistics derived from unofficial publications

Certain statistics in this prospectus relating to the IT industry, such as statistics relating to spending on software and services to support e-commerce and e-commerce revenues, are derived from various unofficial publications, in particular, those produced by IDC. Such information has not been independently verified by the Group and may be not accurate, complete or up-to-date. The Group makes no representation as to the correctness or accuracy of such statements and, accordingly, such information should not be unduly relied upon.

Potential future dilution of shareholders’ interests

As the Group is engaged in information technology and Internet-related businesses which are experiencing rapid growth, it is anticipated that funding may be required from time to time to finance the expansion of the business and operations of the Group. As opportunities arise, the Directors will consider the funding options available to them at the time, which may include

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the issue of Shares by the Company. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing shareholders, the percentage ownership of the shareholders of the Company may be reduced, shareholders may experience subsequent dilution and/or such securities may have rights, preferences and privileges senior to those of the Shares. Furthermore, subject to relevant legal and regulatory obligations, the Company may consider listing the Shares with or without a follow-on offering, or spin-off its subsidiaries or assets for the purpose of obtaining a listing on another stock exchange if an appropriate opportunity arises and the Directors consider such listing and/or spin-off to be in the best interest of the Group. Any such action may also potentially dilute the interests of shareholders of the Company in the Group.

Potential Share price volatility

Prior to the Share Offer, there has been no public market for any of the Shares. An active public market for the Shares may not develop or be sustained after the Share Offer. Although the Offer Price was determined based on several considerations, the market price after the Share Offer may fluctuate significantly in response to a number of factors, some of which are beyond the Group's control, including:

- changes in estimates of the Group's financial performance by securities analysts, newspaper and other media reports;
- changes in market valuation of IT business application solution providers in general and investor perceptions of the Group and its products and services in particular;
- stock market price and volume fluctuations;
- announcements of technological innovations or new services by the Group or its competitors;
- announcements by the Group or its competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments and loss of a major strategic partner by the Group or its competitors;
- additions or departures of key personnel;
- changes in pricing made by the Group, its competitors or providers of alternative services;
- release of lock-up or other transfer restrictions on the Group's outstanding Shares or issuance of additional Shares;
- potential litigation; and
- general economic and other factors.

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Possible deviation in use of proceeds from the Share Offer from the intended use

The intended use of the proceeds from the Share Offer is set out under “Statement of business objectives and strategies — Use of proceeds of the Share Offer”. It is the Directors’ current intention to apply the net proceeds from the Share Offer in the manner as described in the aforesaid section. However, as new business opportunities arise or as unforeseen events occur, the Directors may (if they consider it to be in the best interests of the Group) reallocate all or part of the net proceeds to other business plans or new projects or to other uses or hold such funds in bank accounts or short term securities, so that the actual application of the proceeds from the Share Offer may deviate from the intended use as described in this prospectus. In addition, the business plan of the Group as described under “Statement of business objectives and strategies” is based on assumptions of future events which by their nature are subject to uncertainty and there is no assurance that the plans of the Group will materialise as intended. The Company will issue an announcement in the event there is a material deviation in the use of the Share Offer proceeds from the intended use as described in this prospectus.