

Codebank Limited

(incorporated in Hong Kong with limited liability)



PLACING

Sponsor

**Deloitte & Touche
Corporate Finance Ltd**

Bookrunner and Lead Manager



KINGSTON SECURITIES LIMITED

IMPORTANT

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



CODEBANK LIMITED

數碼庫有限公司

(incorporated in Hong Kong with limited liability)

PROPOSED LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

PLACING

Number of Placing Shares	: 150,000,000 Shares comprising 105,240,000 New Shares and 44,760,000 Sale Shares (subject to Over-allotment Option)
Offer Price	: HK\$0.50 per Share
Nominal Value	: HK\$0.10 each
Stock Code	: 8162

Sponsor

Deloitte & Touche Corporate Finance Ltd

Bookrunner and Lead Manager



KINGSTON SECURITIES LIMITED

Underwriters

Kingston Securities Limited	GC Capital (Asia) Limited
Deloitte & Touche Corporate Finance Ltd	Prudence Securities Company Limited
Hantec Securities Company Limited	Core Pacific-Yamaichi International (H.K.) Limited
Sun Hung Kai International Limited	SBI E2-Capital 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 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 of the 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 documents referred to above.

Prospective investors of the Placing Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreement by notice in writing to the Company and Super Code Limited given by Kingston Securities Limited, acting as lead manager of the Placing, upon the occurrence of any of the events set out under "Grounds for termination" in the section headed "Underwriting" in this prospectus at any time prior to 5:00 p.m. on the business day immediately preceding the day on which dealings in the Shares on GEM commence. Such events include, without limitation, any change in national, regional or international financial, political, military, industrial or economic conditions or the conditions of the Hong Kong or international securities markets.

17th December, 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 at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

CONTENTS

You should rely only on the information contained in this prospectus 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 Vendor, the Sponsor, the Lead Manager, the Underwriters, any of their respective directors or any other person involved in the Placing.

	<i>Page</i>
Expected timetable	1
Summary	
Business	2
Strengths of the Group	4
Future plans and prospects	5
Reasons for the New Issue and use of proceeds	10
Risk factors	12
Trading record	13
Placing statistics	14
Shareholders of the Company	15
Restriction on disposal of Shares	19
Definitions	22
Glossary of technical terms	26
Glossary of names	28
Risk factors	30
Information about this prospectus and the Placing	37
Directors	40
Parties involved in the Placing	41
Corporate information	43
Industry overview	44
History and development and active business pursuits	51

CONTENTS

	<i>Page</i>
Group and organisation structure	62
Business	
Description of business	66
Strengths of the Group	71
Products and services	71
Quality control	78
Sales and marketing	78
Suppliers and purchases	79
Research and development	80
Security and data protection	80
Competition	80
Intellectual property rights	81
Strategic investor	81
Directors, senior management and staff	82
Substantial, significant, initial management and other shareholders	86
Share capital	89
Financial information	91
Future plans and prospects	102
Underwriting	115
Structure of the Placing	119
Appendix I – Accountants’ report	121
Appendix II – Property valuation	140
Appendix III – Summary of articles of association of the Company	146
Appendix IV – Statutory and general information	151
Appendix V – Documents delivered to the Registrar of Companies and available for inspection	176

EXPECTED TIMETABLE

2001

Allotment of the New Shares and the transfer of Sale Shares to the placees (or their designated person(s)) on or before	20th December
Announcement of the results of the Placing to be published on the GEM Website at www.hkgem.com	20th December
Despatch of share certificates on or before (<i>Note 2</i>)	20th December
Dealings in the Shares on GEM to commence on	21st December

Notes:

1. All times refer to Hong Kong local time, except as otherwise stated.
2. Placees of the Shares will receive the share certificates for the Placing Shares via CCASS. Share certificates are expected to be deposited directly into CCASS on 20th December, 2001 for credit to the respective CCASS participants' stock accounts or investor participant stock accounts designated by the Underwriters or the placees, as the case may be. No temporary document of title will be issued.

For details of the structure of the Placing and the conditions thereof are set out in the section headed "Structure of the Placing" in this prospectus.

SUMMARY

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

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

BUSINESS

The Directors believe that the Group is one of the leading Internet technology and platform providers in Hong Kong. The Group develops and implements enabling technologies and products with a focus on three areas, namely, e-Education solutions, e-Business solutions and multiple access platform.

e-Education solutions

Pioneering status in Hong Kong

The Group is one of the pioneers in the development and provision of e-Education solutions, including e-Education platform and e-Education related e-mail services in Hong Kong. The Group's product development focus in e-Education is to implement advanced technologies and products to bring about interactive learning and effective administration in school education. Its e-Education platform can broadly be categorised into (i) the ASP model, where the server and database of a school are hosted in a data hosting centre, an Independent Third Party designated by the Group; and (ii) the school-based model, where the database of a school is hosted in the local server installed at the school. The Group developed and implemented its first e-Education platform in October 1998. There are about 780 primary schools, secondary schools and other education institutions using the Group's e-Education solutions in Hong Kong.

The Group also provides other professional services including distance learning solutions and project consultation for schools and other educational institutions.

e-Education solutions for the PRC market

Leveraging on the Group's proprietary technology in the implementation of eCampus, the Group is currently developing OpenCampus, a cross-platform system. OpenCampus is an ASP-based school Intranet platform that supports various features of information management, communication, resources sharing and school administration functions. The Group has entered into co-operative agreements with Great Wall and 重慶市渝北區電化教育中心 (Chongqing Yubei District Electronic Education Centre) to provide e-Education solutions to primary and secondary schools in the PRC. The Directors believe that the cooperation with PRC-based hardware vendors, distributors and education authorities in various regions in the PRC will facilitate the implementation of OpenCampus and other e-Education solutions of the Group in the PRC and increase the Group's competitive edge in the PRC market for e-Education.

Revenue basis

For the period from 23rd July, 1999 to 31st December, 1999, no revenue was recorded for the Group's e-Education solutions. For the year ended 31st December, 2000 and the nine months ended 30th September, 2001, approximately HK\$2.15 million and HK\$1.15 million, representing approximately 23.91% and 14.13%, respectively of the revenue of the Group, were attributable to the sales of e-Education solutions. For the same period, gross profit of the Group attributable to its e-Education solutions amounted to approximately HK\$1.44 million and HK\$0.27 million respectively.

SUMMARY

The Directors anticipate that with the implementation of its OpenCampus and other new e-Education solutions, the Group will receive a greater proportion of recurring revenue in the form of platform leasing, maintenance fees and content licensing.

e-Business solutions

The e-Business solutions arm of the Group specialises in the development and implementation of solutions and products to enable its clients to revolutionise their business operations using Internet enabling technologies. The Group commenced the development of its e-Business solutions in April 1997. It is one of the leading e-Business solutions providers in Hong Kong and has implemented many tailor-made solutions in Hong Kong by applying various Internet enabling technologies. Its clients include governmental departments, statutory bodies, business organisations and entities in different industries including finance, property valuation, retail, manufacturing, entertainment and information technology.

e-Business integration and professional services

The Group provides e-Business integration and other related professional services. The Directors believe that the Group is one of the pioneers in Hong Kong in applying Java and other technologies in developing user interface and applications for all kinds of Internet based system. The Group builds on its expertise in e-Business system design to implement solutions addressing all elements of e-Commerce such as B2B and B2C to facilitate the handling of business operations such as sales transaction, order processing and transaction settlement through the Internet. The Group's e-Business solutions support applications on the Internet and Intranet.

The Group also provides professional and consultancy services to clients on e-Business development system architecture design, project implementation and technological integration with core business practices.

e-Business products

The Group applies its technological knowhow and cross industry expertise in project implementation to modulate off-the-shelf products for general application and industry specific markets. The Directors believe that the Group is one of the few e-Business solutions providers in Hong Kong that possesses such product development capability. The Group has developed three e-Business products, namely, webproject, webbuilder and webchannel, targeted mainly at corporate entities and professional firms.

The e-Business products developed by the Group can either be sold as off-the-shelf products with dedicated server hosting or by way of the ASP model. The Group has entered into a memorandum of understanding with a global leading computer and network products provider to provide free seminar slots, web selling facilities and marketing funds to the Group in respect of its software products under their joint marketing arrangements.

Revenue basis

For the period from 23rd July, 1999 to 31st December, 1999, substantially all revenue of the Group of approximately HK\$1.38 million was attributable to the provision of e-Business solutions and was derived from e-Business integration and other related professional services. For the year ended 31st December, 2000 and the nine months ended 30th September, 2001, approximately HK\$6.03 million and approximately HK\$3.55 million, representing approximately 67.26% and 43.49% respectively of the revenue of the Group, were attributable to the sales of e-Business solutions. For the same period, gross profit of the Group attributable to its e-Business solutions amounted to approximately HK\$3.63 million and HK\$1.80 million respectively. The Directors anticipate that the sale of the Group's e-Business products will account for an increasing proportion of the Group's turnover in the future.

SUMMARY

Multiple access platform

Since May 2000, the Group has committed resources in the design, development and implementation of voice and wireless Internet enabling solutions, converging voice, wireless and Internet technologies.

Currently, only a limited number of websites are compatible with mobile and other wireless access devices. In October 2000, the Group completed the development of an application service platform, the MAP-Village, that offers multiple access channel for wireless and voice devices, including mobile phones, fixed line phones, PDA and other WAP-enabled devices to be connected to Internet, Intranet and Extranet systems. The MAP-Village is integrated with speech recognition, text-to-speech and other dynamic Internet content transforming technologies that supports the receipt of different content formats, including WML, XML, VoiceXML and their delivery on multiple devices. The Directors believe that the Group is one of the few Internet technology and platform providers in Hong Kong that has developed a multiple access platform integrated with speech recognition and text-to-speech functions in English, Mandarin and Cantonese.

In addition to the provision of MAP-Village, the Group also develops and implements solutions that allow its clients to integrate the latest voice and wireless technologies into their business operations. These solutions include, for example, the phone-ticketing system developed for EDKO Films Limited that supports ticket reservation through mobile phones, fixed-line phones and PDAs.

Revenue basis

For the period from 23rd July, 1999 to 31st December, 1999, no revenue was recorded for the Group's multiple access platform. For the year ended 31st December, 2000 and the nine months ended 30th September, 2001, approximately HK\$0.79 million and HK\$3.46 million respectively, representing approximately 8.83% and 42.38% of the revenue of the Group were attributable to the sale of multiple access platform respectively. For the same period, gross profit of the Group attributable to the multiple access platform amounted to approximately HK\$0.46 million and HK\$0.92 million respectively. The Directors anticipate that with the rising popularity of voice and wireless Internet enabling solutions, the Group will receive increasing revenue from the sale of MAP-Village and other voice and wireless Internet enabling solutions.

STRENGTHS OF THE GROUP

The Directors believe that the Group possesses the following strengths:

- its distinguished profile as a quality provider of e-Education platform, e-Business solutions and multiple access platform;
- its early move into the e-Education, e-Business solutions and voice and wireless industries which give it a distinct lead over its local competitors;
- its management's in-depth experience and expertise in the e-Education, e-Business solutions and voice and wireless industries;
- its strong technological capability which enables the Group to introduce innovative solutions;
- its project development experience in a broad spectrum of industries complements the Group's offerings and allows the Group to shorten the lead time in the development of generic products;

SUMMARY

- its collaboration with the Education Department, schools and universities in Hong Kong which facilitate the Group's penetration into the e-Education markets in Hong Kong; and
- its strong alliances with strategic partners and investors which allows the Group to offer total solutions with broad business coverage.

FUTURE PLANS AND PROSPECTS

With the advance of the new information technology era, there is a growing need for education institutions and business entities to respond to the impact of the changing environment by integrating Internet technologies in the management of information, the sharing of resources and the conduct of daily operations.

The official endorsement in both Hong Kong and the PRC of a policy to implement IT in education is expected to generate substantial demand for e-Education solutions that introduce an interactive way of communication among students, teachers, parents and schools and innovative approaches in resources sharing and management. Internet technological advances have increasingly led business entities and professional organisations to explore opportunities of providing Internet-based applications and services both within the organisations and externally to customers and business partners. The Directors have also identified voice and wireless Internet enabling solutions to be one of the fastest growing areas in Internet applications.

It is the mission of the Group to become the leading Internet technology and platform provider in the Asia Pacific region with a focus on e-Education solutions, e-Business solutions and multiple access platform. The Group aims to attain its mission through implementing the following strategies:

e-Education solutions

Expand geographical coverage

The Group intends to build on its established position in the Hong Kong market to develop the PRC market. It is a core development strategy of the Group to expand its market coverage in the provision of e-Education platform in the PRC market. Given the PRC government's policy to introduce quality education in the PRC, the Group intends to gain significant market share in e-Education in the PRC by the first quarter of 2002 in order to capitalise on the anticipated increase in government allocation of education funds in the PRC.

- *Offer the OpenCampus solution in the PRC*

The major e-Education solution to be promoted by the Group in the PRC is the OpenCampus solution. The Group plans to offer the OpenCampus solution to primary and secondary schools in a number of provinces, cities and certain districts such as Sichuan Province, Yubei district in Chongqing, and cities of Baoding and Jiaozuo in the PRC by the first quarter of 2002. The Directors consider that the ASP model, which does not require substantial initial set-up costs and significant internal technical support and system maintenance on an ongoing basis, is particularly suited to the PRC market.

- *Appoint local agents as distributor or reseller in selected regions*

In order to achieve effective geographical coverage in the PRC, the Group intends to appoint local agents as the distributor or reseller of the Group's e-Education platform in selected regions in the PRC.

SUMMARY

- *Co-operative arrangements with hardware vendors*

The Group also intends to collaborate with other hardware vendors to promote and market the e-Education platform of the Group in package bundled with the vendors' hardware products. The Directors consider that this form of co-operative arrangement allows the Group to take advantage of the solution vendors' established brand name. Successful market penetration of the Group's e-Education platform is also expected to boost the user base of Openday.com.

- *Explore other markets in the Asia Pacific region*

The Group is currently focusing on the development of the PRC market and plans to explore other markets in the Asia Pacific region including Singapore and Malaysia. The Group has established business connections with companies in the region. For example, the Group has appointed an independent distributor in Singapore to promote its e-Education solutions in both Singapore and Malaysia.

Product development and enhancement

An important product development direction of the Group is in the area of distance learning and training solutions and the development of OpenCampus.

- *Collaboration with Gilat for the development of e-learning solutions*

In December 2000, the Group was appointed the non-exclusive value-added service reseller of Gilat, an Independent Third Party, in respect of its e-learning related software in Hong Kong and the PRC for the period from 12th December, 2000 to 30th December, 2001 and the agreement between the parties is renewable on a yearly basis. The agreement is expected to be renewed prior to the expiry of the current term. Gilat, a company listed on NASDAQ, is a global leader in e-learning solutions which support two-way interactive data, audio and video transmission. In April 2001, the Group completed the localisation of Gilat's e-learning platform for the support of simplified Chinese characters. In particular, the Directors believe that the collaboration with Gilat will further enhance the product development capability of the Group, especially in the development of distance learning products.

- *Customisation of e-learning solutions for corporate training*

The Group plans to customise Gilat's e-learning platform for development of corporate training solutions which will be targeted at large corporations for internal training purposes. The corporate training solution will be configured along the ASP model supported by a data storage centre, hardware and application software. The Directors believe that the corporate training solution will provide an efficient and cost effective way in providing training to the employees of corporate entities.

- *Continue the development of OpenCampus*

The Group plans to continue the development of OpenCampus and create customised applications which can be adapted to the OpenCampus platform. The Group also plans to develop a "multi-media learning centre" which is a system designed for the classroom environment and allows a teacher to teach and monitor the work of a number of students simultaneously.

- *Enhancement of features of existing products*

The Group will continue to enhance the features of eCampus and OpenCampus. New features will include courseware development, project collaboration and other additional school administration functions.

SUMMARY

e-Business solutions

Product development

The Group will continue to leverage on its broad project implementation experience in different industries to develop generic products that introduce Internet applications to various aspects of business operations.

- *Introduce applications for specific industries*

The Group, after the development of a product that has core applications, intends to introduce vertical versions of the product to cater for applications in specific industries or sectors. Vertical versions of webproject customised for different professions will also be developed. The Group will conduct feasibility studies and research on the industry requirements of, for example, accounting, architectural and property surveyor professions, construction, design and advertising industries.

- *Complete the development of an online three-way communication channel product for logistics management*

Another major product in the development pipeline is webchannel which is designed to provide an online three-way communication channel between user companies and their buyers and suppliers to facilitate business operations and logistics management. Webchannel allows companies to designate unique content and user right to each user group so that users can access and update information specific to the assigned group. The Directors anticipate that webchannel will be launched by the second quarter of 2002.

- *Develop customised web-based products for different business entities*

The Directors perceive that there will be a growing need for listed companies to take advantage of Internet technologies for information dissemination to investors and the general public. In order to capture this market, the Group has developed a customised version of webbuilder catered for companies listed on the Stock Exchange. The Group will continue to develop other web-based products for different business entities in a diverse range of industries.

Establish distribution channels

The Directors consider that the establishment of an extensive distribution network is crucial to the successful commercialisation of its e-Business products. The Directors believe that the Group's business alliances can assist the Group in extending the market coverage of the Group's products as this mode of sale allows the Group to benefit from the distribution network of the business partner.

- *Product bundling with hardware vendors and ASP providers*

The Group seeks to identify suitable hardware/software vendors in order to offer a bundled package to customers. As the Group's e-Business products can also be configured along the ASP model, the Group plans to collaborate with other ASP providers for the licensing and hosting of its products.

- *Identify suitable distribution partners for the direct sales of e-Business products*

The Directors expect that there will be demand for its e-Business products, in particular, webbuilder in the PRC. The Group has established offices in Beijing and Shanghai and the Group intends to take advantage of these facilities to identify suitable distribution partners for and to handle direct sales of its products.

SUMMARY

Multiple access platform

Extend market coverage

By leveraging on the Group's lead in the technology industry, the Directors believe that the Group is strongly positioned to achieve broad market acceptance of its multiple access platform.

- *Build up market share by targeting specific industries*

The Group intends to build up its market share by targeting its services initially at specific industries such as telecommunications, finance, entertainment and information technology sectors. The Group's multiple access platform enables telecommunication carriers to offer mobile-Internet value added services integrated with voice-based applications to their subscribers. Voice application technologies are also expected to become increasingly in demand for portals. The Directors intend to penetrate into the PRC market by introducing solutions to these sectors.

- *Forge alliances with ASP providers and portals to promote the Group's solutions*

The Group considers that there will be immense business opportunities from corporate entities which are striving to build and improve their customer and business partner service infrastructure. The Group's multiple access solutions offer business entities a convenient and user-friendly solution at a competitive price to leverage on the Internet and telecommunications infrastructure to interact with their customers and business partners. In order to accelerate its access to a broad corporate client base, the Group intends to forge strategic alliances with ASP providers and portals that have significant corporate user base for the purposes of promoting the Group's solutions.

- *Expand into the Asia Pacific market*

The Group intends to expand into other Asian markets including Japan and Korea with the support from HTC Partners, L.P., the strategic investor of MAP, a subsidiary of the Group engaged in the development of its multiple access platform.

Technological enhancement

Given that voice and wireless Internet enabling technologies are at an early stage of development, more sophisticated technologies, in particular, those involving speech recognition are expected to be introduced to the market.

- *Further develop speech recognition technologies*

Although basic speech recognition technology is capable of automating certain specialised applications, such as data entry and retrieval, its widespread use has been constrained by technical limitations. Technological advancements in recent years have and will, in the Directors' belief, continue to support a higher degree of speech recognition accuracy. In order to maintain its leading edge, the Group aims to continue to forge alliances with suitable technological partners.

- *Commit resources in the research and development of voice and wireless enabling technologies*

The Group plans to continue to commit its resources in the research and development of voice and wireless enabling technologies and the integration of its solutions with the products of its technological partners. The Group will also continue to enhance the existing applications of its multiple access solutions by improving their usability and effectiveness and introduce new applications to its multiple access platform and to new devices.

SUMMARY

Pursue technological alliances and strategic investments

With the rapid development of Internet enabling technologies, strategic alliances and investments may be an important way of keeping abreast of the latest Internet technologies and ensuring that the Group maintains its competitive edge.

- *Technological alliances with existing and new technological partners*

As part of its growth strategy, the Group intends to enhance its relations with its existing alliance partners and forge new alliances by entering into technological arrangements and joint promotions. These alliances provide infrastructural and technological support to the Group. In relation to its e-Business solutions, the Group will continue to collaborate with technological partners through different cooperation methods such as establishing joint ventures and participating in joint promotion activities in order to provide comprehensive solutions to address evolving business needs to integrate Internet technologies in customer relationship management, logistics management and other aspects of business operations.

- *Invest in businesses complementary to the Group's Internet enabling technologies business*

The Group may encounter opportunities to make acquisitions or investments which are complementary to the Group's Internet enabling technologies business. The Group intends to position itself at the cutting edge of Internet technology through these investments which could enhance the Group's product development capability and create synergies with the existing business of the Group.

The Group has not presently identified any specific new technological alliance partners or investment targets.

Strategic partnership with Aionnet

Aionnet is a telecommunications services provider which provides wholesale dedicated broadband Internet access services in Hong Kong. Through certain alliances between Aionnet and its affiliates, with a major telecommunications service provider and an Internet network provider in the PRC, the Directors believe that Aionnet is also able to procure Internet access services in the PRC.

In April 2001, the Group entered into an agreement (the "Procurement Agreement") with Aionnet and One Trend Net Holdings Limited, pursuant to which Aionnet has agreed to procure network service provider(s) in the PRC to install and implement an extensive private network platform covering 53 cities in the PRC comprising the use of a broadband backbone network with a bandwidth of up to 465 Mbps for a period of 20 years commencing from 11th April, 2001 at a total service fee of HK\$30 million. The total service fee in respect of the use of the broadband network had been settled in May 2001.

On 29th November, 2001, the Group entered into a deed with, among other parties, Aionnet, One Trend Net Holdings Limited and Gainson Limited to amend, inter alia, the term of the procurement of bandwidth from 20 years to 9 years and to reduce the bandwidth from 465 Mbps to 195 Mbps from the third year onwards. Under the new arrangement, an extensive private network platform covering 53 cities in the PRC will continue to be made available to the Group through Aionnet's broadband procurement services. Gainson Limited acquired 433,383 Shares from One Trend Net Holdings Limited at a consideration of HK\$43,338.30 on 30th November, 2001, which together with an additional consideration of HK\$22,956,661.70 payable on the day after all the conditions for the listing of the Company have been satisfied (which is expected to be on 21st December, 2001), amounts to an aggregate consideration of HK\$23,000,000. To the extent that the market capitalisation of the Shares held by Gainson Limited at the time of the listing of the Shares on GEM when multiplied by the Offer Price is less than HK\$23,000,000, the Company shall allot and issue such number of Shares to Gainson Limited, credited as fully paid, so as to maintain the market capitalisation of its shareholding in the Company at HK\$23,000,000 at such time. Based on an independent valuation opinion, the Directors consider that the amendment of the term of the procurement of bandwidth and the reduction of the bandwidth are fair and reasonable and in the interests of the shareholders of the Company. The charge for the broadband procurement services was expensed in the consolidated profit and loss account of the Group for the nine months ended 30th September, 2001. As at the Latest Practicable Date, the Group had entered

SUMMARY

into co-operative agreements with Great Wall and 重慶市渝北區電化教育中心 (Chongqing Yubei District Electronic Education Centre) in relation to the sale of the Group's e-Education solutions which are expected to utilise the broadband procurement services. The Group has not yet utilised the broadband procurement services and has not yet finalised any related contracts at the present stage.

Under the Procurement Agreement (as amended), Aionnet has a contractual commitment to fulfil its obligations. If however, Aionnet fails to perform its duties under or otherwise breaches the Procurement Agreement, the Company may elect to terminate it. In such event, Aionnet is required to repay the balance of the consideration not expensed to the Company, or at the election of Aionnet, Gainson Limited is required to dispose of certain number of Shares acquired by Gainson Limited from One Trend Net Holdings Limited and pay the proceeds of such disposal to the Company.

Under the deed, One Trend Net Holdings Limited has been released from its rights and obligations under the Procurement Agreement and the share subscription agreement as mentioned in paragraph (i) in the section headed "Summary of material contracts" in Appendix IV to this prospectus and the Company has agreed to accept the liability of Gainson Limited to perform the obligations originally assumed by One Trend Net Holdings Limited under these agreements.

The Directors believe that the strategic alliance with Aionnet will provide synergies to the Group on a number of different levels.

- *Delivery of OpenCampus in the PRC*

Complementing the distribution and implementation of the OpenCampus and other e-Education solutions in the PRC, the Group will have the capability to deliver multi-media educational content, which the Group intends to source from Independent Third Parties in the PRC, to primary and secondary schools throughout 53 cities in the PRC including major cities in the PRC such as Beijing, Shanghai, Shenzhen, Wuhan, Guangzhou and Xiamen by making use of the broadband network to be procured by Aionnet.

- *Product bundling for the Group's e-Business products*

Leveraging on the Group's alliance with Aionnet, the Group will be able to bundle its e-Business products together with Aionnet's bandwidth leasing services for business entities in the PRC. As the Group's e-Business products can be configured along the ASP model, the product bundling will enable the Group to provide its products at discounted prices under joint marketing arrangements.

- *Facilitate the development of the multiple access platform*

In respect of the Group's multiple access platform, the Group will be able to take advantage of the fast Internet backbone access to be provided by Aionnet to facilitate the deployment of the platform to serve various specific industries. The Directors believe that the Group's expertise in the design and deployment of the multiple access platform coupled with the availability of backbone network to be procured by Aionnet in the PRC will ensure ample opportunities for the Group to expand in the voice and wireless Internet market in the PRC.

REASONS FOR THE NEW ISSUE AND USE OF PROCEEDS

The Directors believe that the net proceeds from the New Issue will provide the Group with financial resources for upgrading and enhancing its existing products and developing new products. The net proceeds will also assist the Group in accelerating the expansion of its distribution network and market coverage in the Asia Pacific region, particularly in the PRC.

SUMMARY

The proceeds from the New Issue, after deducting related expenses, are estimated to be approximately HK\$40.0 million based on the Offer Price of HK\$0.50 (assuming that the Over-allotment Option is not exercised). The Directors currently intend to apply the net proceeds from the New Issue (assuming that the Over-allotment Option is not exercised) as follows:

- as to approximately HK\$5.9 million, for the development of the Group's e-Education solutions including distance learning solutions, e-Education applications and further development of OpenCampus and Openday.com;
- as to approximately HK\$3.2 million, for the development of the Group's e-Business solutions including enhanced and customised versions of the existing e-Business products and integration of its solutions with various technologies;
- as to approximately HK\$7.0 million, for the development of the Group's multiple access platform including a voice web server, multiple access payment application and voice XML applications;
- as to approximately HK\$2.2 million, for brand building and marketing activities;
- as to approximately HK\$12.6 million, for the building of strategic alliances through joint promotion arrangements and joint development of certain technologies and strategic investments;
- as to approximately HK\$1.9 million, for the employment of additional staff and the setting up of offices in the PRC; and
- as to approximately HK\$5.8 million, as general working capital of the Group of which approximately HK\$3.0 million will be used for the rental of office premises and approximately HK\$2.8 million will be used for staffing costs; and
- as to approximately HK\$1.4 million, for the repayment of a shareholder's loan.

Should the Over-allotment Option be exercised in full, the Company will receive additional net proceeds of approximately HK\$10.9 million which the Directors intend to be applied as follows:

- as to approximately HK\$2.6 million, for the development of the Group's e-Education solutions;
- as to approximately HK\$1.0 million, for the development of the Group's e-Business solutions;
- as to approximately HK\$2.2 million, for the development of the Group's multiple access platform;
- as to approximately HK\$0.5 million, for brand building and marketing activities;
- as to approximately HK\$3.0 million, for the building of strategic alliances and strategic investments through joint promotion arrangements and joint development of certain technologies and strategic investments; and
- as to approximately HK\$1.6 million, as general working capital of the Group, all of which will be used for administrative expenses.

To the extent that the net proceeds from the New Issue are not immediately applied for the above purposes, the Directors intend to place such net proceeds on short term deposits with financial institutions in Hong Kong.

SUMMARY

RISK FACTORS

The Directors consider that the operations and results of the Group are subject to certain risks which may be categorised into (i) risks relating to the Group; (ii) risks relating to the industry; (iii) risks relating to the Shares; and (iv) other risks. These risk factors are set out in the section headed “Risk factors” in this prospectus as follows:

Risks relating to the Group

- Revenue basis
- Limited operating history and a history of operating loss
- Product development and market acceptance risks
- Reliance on key personnel
- Reliance on distribution and technological partners and other strategic alliances
- Credit risks
- Defective products and product liability
- Liability for content distributed
- Systems failure or inadequacies
- Security risks of proprietary systems
- Geographical expansion
- Intellectual property protection
- Changing operating environment

Risks relating to the industry

- Product substitution
- Competition
- Internet infrastructure
- Statistics

Risks relating to the Shares

- Inactive trading market and price volatility of the Shares

Other risks

- Political considerations
- Economic and currency considerations
- Currency conversion and exchange control in the PRC
- The threat of wars

SUMMARY

TRADING RECORD

The following is a summary of the consolidated audited results of the Group for the period from 23rd July, 1999 (being the date of incorporation of the Company) to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001. This summary should be read in conjunction with the accountants' report set out in Appendix I to this prospectus.

	Period from 23rd July, 1999 to 31st December, 1999 <i>HK\$'000</i>	Year ended 31st December, 2000 <i>HK\$'000</i>	Nine months ended 30th September, 2001 <i>HK\$'000</i>
Turnover	1,375	8,967	8,162
Cost of sales	(685)	(3,441)	(5,172)
Gross profit	690	5,526	2,990
Other revenue	–	7	26
Research and development expenses	–	(5,362)	(850)
Administrative expenses	(822)	(30,520)	(23,910)
Net realised and unrealised holding loss on trading investments (<i>Note 1</i>)	–	(58,401)	(54)
Broadband procurement expenses (<i>Note 2</i>)	–	–	(30,000)
Other operating revenue	–	–	10,646
Other operating expenses	–	(2,155)	(4,444)
Operating loss	(132)	(90,905)	(45,596)
Finance costs	–	(1,439)	(701)
Share of losses of associated companies	–	(662)	(338)
Loss for the period/year	(132)	(93,006)	(46,635)
Minority interests	–	2,100	–
Loss attributable to shareholders	<u>(132)</u>	<u>(90,906)</u>	<u>(46,635)</u>
Loss per share (HK dollars) – basic (<i>Note 3</i>)	<u>(0.83)</u>	<u>(34.92)</u>	<u>(11.43)</u>
Loss per share (HK cents) – proforma diluted (<i>Note 4</i>)	<u>(0.03)</u>	<u>(18.88)</u>	<u>(9.68)</u>

Notes:

- The balance represented net realised and unrealised holding loss on the trading investments, comprising 30,650,000 shares in HyComm. The Company was allotted with these shares in consideration for the issue of 267,606 Class A shares of HK\$0.10 each in the Company to HyComm in 2000. All the shares in HyComm were disposed by the Group during the year ended 31st December, 2000 and the nine months ended 30th September, 2001.

SUMMARY

2. Pursuant to an agreement entered into by the Company with Aionnet and One Trend Net Holdings Limited in April 2001, Aionnet has agreed to procure network service provider(s) in the PRC to install and implement an extensive private network platform covering 53 cities in the PRC comprising the use of a broadband backbone network with a bandwidth of up to 465 Mbps for a period of 20 years commencing from 11th April, 2001 at a total service fee of HK\$30 million which had been settled in May 2001. Under the terms of this agreement, Aionnet shall be responsible for all the payments during the term of the agreement (as amended) for charges, expenses and outgoings for the setting up, installation and linking up the connection points as designated by the Group. The total cash consideration for the services (the "broadband procurement services") to be provided by Aionnet is HK\$30,000,000. The consideration had been paid to Aionnet by the Group using the cash proceeds of HK\$30,000,000, received from One Trend Net Holdings Limited for the subscription of 433,383 Class A shares of HK\$0.10 each of the Company in May 2001. In view of uncertainties on the future inflow of economic benefits to the Group from the broadband procurement services, the underlying charge was expensed in the consolidated profit and loss account of the Group for the nine months ended 30th September, 2001. On 29th November, 2001, the Group entered into a deed with, among other parties, Aionnet, One Trend Net Holdings Limited and Gainson Limited to amend, inter alia, the term of the procurement of bandwidth from 20 years to 9 years and to reduce the bandwidth from 465 Mbps to 195 Mbps from the third year onwards.
3. The calculation of basic loss per Share is based on the Group's loss attributable to shareholders of HK\$46,635,000 (2000: HK\$90,906,000), (1999: HK\$132,000) and on the weighted average number of 4,081,356 (2000: 2,603,477), (1999: 158,951) Shares in issue during the year/period.
4. The calculation of proforma diluted loss per Share is based on the Group's loss attributable to shareholders for each of the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001 and the 481,554,000 Shares, which comprised:
 - (i) the 450,000,000 Shares deemed to be in issue throughout each of the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001 on the assumption that the Capitalisation Issue had been completed on 23rd July, 1999; and
 - (ii) the 31,554,000 Shares deemed to have been issued for no consideration upon the exercise of the options granted under the Pre-IPO Share Option Plan based on the subscription price as set out under that plan throughout each of the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001.

PLACING STATISTICS

Offer Price	HK\$0.50
Market capitalisation (<i>Note 1</i>)	approximately HK\$300,000,000
Adjusted net tangible asset value per Share (<i>Note 2</i>)	HK\$0.063

Notes:

1. The calculation of market capitalisation is based on the Offer Price and 600,000,000 Shares in issue immediately after completion of the Placing and the Capitalisation Issue but takes no account of any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option, the exercise of options granted under the Pre-IPO Share Option Plan or any options granted or to be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus.
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 600,000,000 Shares in issue as immediately following completion of the Placing and the Capitalisation Issue but takes no account of any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option, the exercise of options granted under the Pre-IPO Share Option Plan or any options granted or to be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus.

SUMMARY

SHAREHOLDERS OF THE COMPANY

Particulars of the Reorganisation are set out in Appendix IV to this prospectus and details of the shareholding changes in the Company are set out in the section headed “Group and organisation structure” to this prospectus. As a result of the Reorganisation, the existing shareholders’ interests in the Company immediately after the completion of the Placing and the Capitalisation Issue (assuming that the Over-allotment Option and the options granted or to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme are not exercised) are summarised as follows:

Name of shareholders	Date of becoming shareholder of the Company	Number of Shares directly or indirectly held immediately after the Placing and the Capitalisation Issue	Approximate direct or indirect attributable percentage of shareholding immediately after the Placing and the Capitalisation Issue	Approximate cost of investment per Share (HK\$)	Approximate total cost of investment (HK\$)
<i>Initial Management Shareholders</i>					
Super Code Limited (Note 1)	(Note 1)	186,207,496	31.04%	0.00043	79,334
Mr. Yu Hang Chung, Herman (Note 2)	9th September, 1999	134,106,639 (indirect interest)	22.35% (indirect interest)	0.06351	8,516,915
HyComm Wireless Limited (Note 3)	8th June, 2000	60,584,726	10.10%	2.56253	155,250,000
Mr. Cheng Yu Hong (Note 4)	17th January, 2001	27,060,330 (indirect interest)	4.51% (indirect interest)	0.03792	1,026,207
Digikap Asia Limited (Note 5)	17th January, 2001	10,655,450 (direct interest) 16,404,880 (indirect interest)	1.78% (direct interest) 2.73% (indirect interest)	0.03792	1,026,207
Cyber Campus Networks Limited (Note 6)	17th July, 2001	8,295,122	1.38%	0.06028	500,000
Mr. Ng Wing Hong (Note 7)	25th February, 2000	6,078,347 (direct interest) 15,306,256 (indirect interest)	1.01% (direct interest) 2.55% (indirect interest)	0.02435	520,694
Mr. Kam Chun Ying, Francis (Note 8)	9th September, 1999	3,120,201 (direct interest) 7,876,577 (indirect interest)	0.52% (direct interest) 1.31% (indirect interest)	0.03196	351,503
Mr. Suen Kwok Kin (Note 9)	25th February, 2000	3,039,173 (direct interest) 7,653,128 (indirect interest)	0.51% (direct interest) 1.28% (indirect interest)	0.02435	260,347

SUMMARY

Name of shareholders	Date of becoming shareholder of the Company	Number of Shares directly or indirectly held immediately after the Placing and the Capitalisation Issue	Approximate direct or indirect attributable percentage of shareholding immediately after the Placing and the Capitalisation Issue	Approximate cost of investment per Share (HK\$)	Approximate total cost of investment (HK\$)
Ms. Lam Ching Shan (Note 10)	9th July, 2001	1,937,218 (direct interest)	0.32% (direct interest)	0.01971	195,301
		7,970,687 (indirect interest)	1.33% (indirect interest)		
Significant Shareholder					
Gainson Limited (Note 11)	30th November, 2001	46,083,974	7.68%	0.49909	23,000,000
Public Shareholders					
Techrich Limited (Notes 12 and 19)	25th February, 2000	24,132,191	4.02%	0.00094	22,694
Denton Technology Limited (Notes 13 and 19)	16th March, 2001	21,825,244	3.64%	0.26776	5,844,020
Allied Luck Company Limited (Notes 14 and 19)	22nd December, 2000	20,530,397	3.42%	0.31660	6,500,000
AsiaMediaShop Limited (Notes 15 and 19)	28th February, 2001	20,530,397	3.42%	0.31660	6,500,000
CBC Information Technology Limited (Notes 16 and 19)	1st March, 2001	20,530,397	3.42%	0.31660	6,500,000
Bestcharm Holdings Limited (Notes 17 and 19)	5th January, 2001	10,265,198	1.71%	0.31660	3,250,000
Mr. Koo Hung Jun, Lawrence (Notes 18 and 19)	19th July, 2001	6,184,469	1.03%	0.20212	1,250,000

Notes:

- Super Code Limited is a substantial and controlling shareholder of the Company. Super Code Limited is held as to approximately 72.02%, 8.22%, 4.23%, 4.11%, 2.61% and 8.81% by Mr. Yu Hang Chung, Herman, Mr. Ng Wing Hong, Mr. Kam Chun Ying, Francis, Mr. Suen Kwok Kin, Ms. Lam Ching Shan and Digikap Asia Limited, respectively. Each of the shareholders of Super Code Limited, namely, Mr. Yu Hang Chung, Herman, Mr. Ng Wing Hong, Mr. Kam Chun Ying, Francis, Mr. Suen Kwok Kin, Ms. Lam Ching Shan and Digikap Asia Limited first acquired an equity interest in the Company on 9th September, 1999, 25th February, 2000, 9th September, 1999, 25th February, 2000, 9th July, 2001 and 17th January, 2001, respectively.

SUMMARY

2. Mr. Yu Hang Chung, Herman is deemed to be an Initial Management Shareholder by virtue of his 72.02% shareholding in Super Code Limited.
3. HyComm is an Initial Management Shareholder, the shares of which are listed on the Main Board.
4. Mr. Cheng Yu Hong is deemed to be an Initial Management Shareholder by virtue of his shareholding in Digikap Asia Limited which in turn holds approximately 8.81% of the issued share capital of Super Code Limited.
5. Digikap Asia Limited is wholly owned by Mr. Cheng Yu Hong, an executive Director and an Initial Management Shareholder. Mr. Cheng Yu Hong is indirectly interested in 4.51% in the Company through his interest in Digikap Asia Limited.
6. Cyber Campus Networks Limited is an Initial Management Shareholder beneficially owned as to 50% by Mr. Ng Hoi Kam, as to 12.5% by Mr. Li Chun Wan, both being Independent Third Parties and as to 37.5% by Ms. Lam Ching Shan, a member of the senior management of the Group and an Initial Management Shareholder.
7. Mr. Ng Wing Hong is a member of the senior management of the Group and is also an Initial Management Shareholder. Mr. Ng Wing Hong is directly interested in approximately 1.01% in the Company and indirectly interested in approximately 2.55% in the Company through his interest in Super Code Limited.
8. Mr. Kam Chun Ying, Francis is an executive Director and an Initial Management Shareholder. Mr. Kam Chun Ying is directly interested in approximately 0.52% in the Company and indirectly interested in 1.31% in the Company through his interest in Super Code Limited.
9. Mr. Suen Kwok Kin is an executive Director and an Initial Management Shareholder. Mr. Suen Kwok Kin is directly interested in approximately 0.51% in the Company and indirectly interested in approximately 1.28% in the Company through his interest in Super Code Limited.
10. Ms. Lam Ching Shan is a member of the senior management of the Group and is also an Initial Management Shareholder. Ms. Lam Ching Shan is directly interested in approximately 0.32% in the Company and is indirectly interested in approximately 0.81% and 0.52% in the Company through her interest in Super Code Limited and Cyber Campus Networks Limited respectively.
11. Gainson Limited is a Significant Shareholder and an Independent Third Party. Gainson Limited acquired 433,383 Shares from One Trend Net Holdings Limited at a consideration of HK\$43,338.30 on 30th November, 2001, which together with an additional consideration of HK\$22,956,661.70 payable on the day after all the conditions for the listing of the Company have been satisfied (which is expected to be on 21st December, 2001), amounts to an aggregate consideration of HK\$23,000,000. No representative of Gainson Limited has any board representation or management role in any member of the Group and, so far as the Directors are aware, no subscription or acquisition of Shares by Gainson Limited was financed directly or indirectly by a connected person (as defined in the GEM Listing Rules) of the Company.
12. Techrich Limited is an Independent Third Party. No representative of Techrich Limited has any board representation or management role in any member of the Group and, so far as the Directors are aware, no subscription or acquisition of Shares by Techrich Limited was financed directly or indirectly by a connected person (as defined in the GEM Listing Rules) of the Company.
13. Denton Technology Limited is an Independent Third Party. No representative of Denton Technology Limited has any board representation or management role in any member of the Group and, so far as the Directors are aware, no subscription or acquisition of Shares by Denton Technology Limited was financed directly or indirectly by a connected person (as defined in the GEM Listing Rules) of the Company.
14. Allied Luck Company Limited is an Independent Third Party. No representative of Allied Luck Company Limited has any board representation or management role in any member of the Group and, so far as the Directors are aware, no subscription or acquisition of Shares by Allied Luck Company Limited was financed directly or indirectly by a connected person (as defined in the GEM Listing Rules) of the Company.

SUMMARY

15. AsiaMediaShop Limited is an Independent Third Party. No representative of AsiaMediaShop Limited has any board representation or management role in any member of the Group and, so far as the Directors are aware, no subscription or acquisition of Shares by AsiaMediaShop Limited was financed directly or indirectly by a connected person (as defined in the GEM Listing Rules) of the Company.
16. CBC Information Technology Limited is an Independent Third Party. No representative of CBC Information Technology Limited has any board representation or management role in any member of the Group and, so far as the Directors are aware, no subscription or acquisition of Shares by CBC Information Technology Limited was financed directly or indirectly by a connected person (as defined in the GEM Listing Rules) of the Company.
17. Bestcharm Holdings Limited is an Independent Third Party. No representative of Bestcharm Holdings Limited has any board representation or management role in any member of the Group and, so far as the Directors are aware, no subscription or acquisition of Shares by Bestcharm Holdings Limited was financed directly or indirectly by a connected person (as defined in the GEM Listing Rules) of the Company.
18. Mr. Koo Hung Jun, Lawrence is an Independent Third Party. Mr. Koo Hung Jun, Lawrence has no board representation or management role in the Group and no representative of Mr. Koo Hung Jun, Lawrence has any board representation or management role in any member of the Group and, so far as the Directors are aware, no subscription or acquisition of Shares by Mr. Koo Hung Jun, Lawrence was financed directly or indirectly by a connected person (as defined in the GEM Listing Rules) of the Company.
19. Each of Techrich Limited, Denton Technology Limited, Allied Luck Company Limited, AsiaMediaShop Limited, CBC Information Technology Limited and their respective beneficial shareholders and Mr. Koo Hung Jun, Lawrence is independent from each other, has no board representation or management role in the Group and his/its acquisition of Shares is not financed directly or indirectly by a connected person (as defined in the GEM Listing Rules) of the Company. Save that Bestcharm Holdings Limited is owned as to 50% by Mr. Lam Sze Chau, who is the sole beneficial owner of CBH Limited, which holds 7.5% interest in Campus Online Shanghai, Bestcharm Holdings Limited and its beneficial owners are independent from each of Techrich Limited, Denton Technology Limited, Allied Luck Company Limited, AsiaMediaShop Limited and CBC Information Technology Limited and their respective beneficial shareholders and Mr. Koo Hung Jun, Lawrence, have no board representation or management role in the Group and its acquisition of Shares was not financed directly or indirectly by a connected person (as defined in the GEM Listing Rules) of the Company.

SUMMARY

RESTRICTION ON DISPOSAL OF SHARES

The following is a summary of the moratorium period imposed on each of the Initial Management Shareholders and the Significant Shareholder as required under the GEM Listing Rules:

Name of shareholders	Number of Shares directly or indirectly held directly and indirectly immediately after the Placing and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised)	Approximate direct and indirect attributable percentage of shareholding immediately after the Placing and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised)	Moratorium period from the date on which dealings in the Shares on GEM commence
Super Code Limited	186,207,496	31.04%	12 months (Note 1)
HyComm Wireless Limited	60,584,726	10.10%	12 months (Note 2)
Gainson Limited	46,083,974	7.68%	6 months (Note 3)
Mr. Suen Kwok Kin	10,692,301	1.78%	12 months (Note 4)
Mr. Kam Chun Ying, Francis	10,996,778	1.83%	12 months (Note 5)
Digikap Asia Limited	27,060,330	4.51%	12 months (Note 6 and 10)
Cyber Campus Networks Limited	8,295,122	1.38%	12 months (Note 7 and 9)
Mr. Ng Wing Hong	21,384,603	3.56%	12 months (Note 8)
Ms. Lam Ching Shan	9,907,905	1.65%	12 months (Note 9)
Mr. Yu Hang Chung, Herman	134,106,639	22.35%	12 months (Note 10)
Mr. Cheng Yu Hong	27,060,330	4.51%	12 months (Note 11)

Note 1: Super Code Limited has undertaken with the Company, the Sponsor and the Stock Exchange that it will not dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (nor enter into any agreement to dispose of) any of its direct or indirect interest in its Relevant Securities during the first 12 months after the Listing Date. Each of the shareholders of Super Code Limited has undertaken to the Company, the Sponsor and the Stock Exchange that they will not dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (nor enter into any agreement to dispose of) any of the shares in Super Code Limited during the first 12 months after the Listing Date.

Note 2: HyComm has undertaken with the Company, the Sponsor and the Stock Exchange that it will not dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (nor enter into any agreement to dispose of) any of its direct or indirect interest in its Relevant Securities during the first 12 months after the Listing Date.

SUMMARY

Note 3: Gainson Limited has undertaken with the Company, the Sponsor and the Stock Exchange that it will not dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (nor enter into any agreement to dispose of) any of its direct or indirect interest in its Relevant Securities during the first six months after the Listing Date.

In addition, Mr. Fung Wing Cheung, Tony, the sole beneficial owner of Gainson Limited, has undertaken with the Company, the Sponsor and the Stock Exchange not to dispose of his direct or indirect interest in Gainson Limited during the first six months from the Listing Date.

Note 4: Mr. Suen Kwok Kin has undertaken with the Company, the Sponsor and the Stock Exchange that he will not dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (nor enter into any agreement to dispose of) any of his direct or indirect interest in his Relevant Securities during the first 12 months after the Listing Date. Mr. Suen Kwok Kin is deemed to be interested in 10,692,301 Shares representing approximately 1.78% of the share capital of the Company immediately after completion of the Placing and the Capitalisation Issue (without taking into account Shares falling to be issued upon exercise of the Over-allotment Option and the options granted or to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme) by virtue of his interest in Super Code Limited and the Company.

Note 5: Mr. Kam Chun Ying, Francis has undertaken with the Company, the Sponsor and the Stock Exchange that he will not dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (nor enter into any agreement to dispose of) any of his direct or indirect interest in his Relevant Securities during the first 12 months after the Listing Date. Mr. Kam Chun Ying, Francis is deemed to be interested in 10,996,778 Shares representing approximately 1.83% of the share capital of the Company immediately after completion of the Placing and the Capitalisation Issue (without taking into account Shares falling to be issued upon exercise of the Over-allotment Option and the options granted or to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme) by virtue of his interest in Super Code Limited and the Company.

Note 6: Digikap Asia Limited has undertaken with the Company, the Sponsor and the Stock Exchange that it will not dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (nor enter into any agreement to dispose of) any of its direct or indirect interest in its Relevant Securities during the first 12 months after the Listing Date. Digikap Asia Limited is deemed to be interested in 27,060,330 Shares representing approximately 4.51% of the share capital of the Company immediately after completion of the Placing and the Capitalisation Issue (without taking into account Shares falling to be issued upon exercise of the Over-allotment Option and the options granted or to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme) by virtue of its interest in Super Code Limited and the Company.

Note 7: Cyber Campus Networks Limited has undertaken with the Company, the Sponsor and the Stock Exchange that it will not dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (nor enter into any agreement to dispose of) any of its direct or indirect interest in its Relevant Securities during the first 12 months after the Listing Date. Each of the shareholders of Cyber Campus Networks Limited has undertaken with the Company, the Sponsor and the Stock Exchange that he/she will not dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (nor enter into any agreement to dispose of) any of his/her direct or indirect interest in Cyber Campus Networks Limited during the first 12 months after the Listing Date.

Note 8: Mr. Ng Wing Hong has undertaken with the Company, the Sponsor and the Stock Exchange that he will not dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (nor enter into any agreement to dispose of) any of his direct or indirect interest in his Relevant Securities during the first 12 months after the Listing Date. Mr. Ng Wing Hong is deemed to be interested in 21,384,603 Shares representing approximately 3.56% of the share capital of the Company immediately after completion of the Placing and the Capitalisation Issue (without taking into account Shares falling to be issued upon exercise of the Over-allotment Option and the options granted or to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme) by virtue of his interest in Super Code Limited and the Company.

SUMMARY

- Note 9:* Ms. Lam Ching Shan has undertaken with the Company, the Sponsor and the Stock Exchange that she will not dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (nor enter into any agreement to dispose of) any of her direct or indirect interest in her Relevant Securities during the first 12 months after the Listing Date. Ms. Lam Ching Shan is deemed to be interested in 9,907,905 Shares representing approximately 1.65% of the share capital of the Company immediately after completion of the Placing and the Capitalisation Issue (without taking into account Shares falling to be issued upon exercise of the Over-allotment Option and the allotment and issue of Shares upon the exercise of options granted or to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme) by virtue of her interest in Super Code Limited, Cyber Campus Networks Limited and the Company. Ms. Lam Ching Shan has also undertaken not to dispose of her direct or indirect interest in Cyber Campus Networks Limited during the first 12 months after the Listing Date.
- Note 10:* Mr. Yu Hang Chung, Herman, the controlling shareholder of Super Code Limited, has undertaken with the Company, the Sponsor and the Stock Exchange that he will not dispose of his direct or indirect interest in Super Code Limited during the first 12 months after the Listing Date. Mr. Yu Hang Chung, Herman has no direct shareholding interest in the Company.
- Note 11:* Mr. Cheng Yu Hong, the beneficial owner of Digikap Asia Limited, has undertaken to the Company, the Sponsor and the Stock Exchange not to dispose of his direct or indirect interest in Digikap Asia Limited and the Company during the first 12 months after the Listing Date.

DEFINITIONS

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

“Capitalisation Issue”	the issue of Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of the Company as referred to in the paragraph headed “Written resolutions of all the shareholders of the Company passed on 7th December, 2001” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by Hongkong Clearing
“CBIT”	CBIT Corporation Limited, a company incorporated in Hong Kong on 19th April 2000 with limited liability and a wholly owned subsidiary of the Company
“COL”	Campus Online Limited, a company incorporated in Hong Kong on 17th November, 1999 with limited liability and a 90% owned subsidiary of the Company
“Campus Online Shanghai”	校園在綫信息技術(上海)有限公司(Campus Online (Shanghai) Limited), a wholly foreign owned enterprise established in the PRC on 27th November, 2000 and a subsidiary of the Company
“Codebank Beijing”	數碼庫(北京)科技有限公司(Codebank (Beijing) Technology Limited), a wholly foreign owned enterprise established in the PRC on 9th March, 2001 and a subsidiary of the Company
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Codebank Limited, a company incorporated in Hong Kong with limited liability on 23rd July, 1999
“Deloitte” or “Sponsor”	Deloitte & Touche Corporate Finance Ltd, an investment adviser and a dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong), a GEM approved sponsor and the sponsor of the Placing
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“GEM Listing Committee”	the listing sub-committee of the board of the Stock Exchange with responsibility for GEM
“GEM Website”	the website operated by GEM under the domain name of www.hkgem.com
“Group”	the Company and its subsidiaries or, where the content so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries
“Greater China”	the PRC, Hong Kong and Taiwan
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hongkong Clearing”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Independent Third Party(ies)”	independent third party or parties not connected with any of the Directors, chief executive, any of the management shareholders and substantial shareholders of the Company or its subsidiaries or any of their respective associates
“Initial Management Shareholders”	the initial management shareholders of the Company, being collectively Super Code Limited, Mr. Yu Hang Chung, Herman, Mr. Cheng Yu Hong, Mr. Ng Wing Hong, Mr. Kam Chun Ying, Francis, Mr. Suen Kwok Kin, Digikap Asia Limited, HyComm, Cyber Campus Networks Limited and Ms. Lam Ching Shan as described in the section headed “Substantial, significant, initial management and other shareholders” in this prospectus
“Offer Price”	the price of HK\$0.50 per Placing Share
“Kingston” or “Lead Manager”	Kingston Securities Limited, a dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong), the lead manager and bookrunner to the Placing
“Latest Practicable Date”	11th December, 2001, being the latest practicable date for the purpose of ascertaining certain information contained herein prior to the printing of this prospectus
“Listing Date”	the date on which trading of the Shares commence on GEM
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“MAP”	MAP Technologies Limited, a company incorporated in Hong Kong on 3rd May, 2000 and a subsidiary of the Company
“New Issue”	the issue of the New Shares pursuant to the Placing
“New Shares”	the 105,240,000 new Shares to be issued at the Offer Price under the Placing and where relevant, any additional Shares to be issued pursuant to the Over-allotment Option
“Openday.com”	the education hub launched by the Group at www.openday.com
“Over-allotment Option”	the option granted by the Company to the Lead Manager under the Underwriting Agreement pursuant to which the Company may be required to allot and issue, at the Offer Price, up to an aggregate of 22,500,000 additional new Shares, representing 15% of the number of the Placing Shares being offered under the Placing to cover over-allocations under the Placing
“Placing”	the conditional placing of the Placing Shares as further described in the paragraph headed “The Placing” in the section headed “Structure of the Placing” in this prospectus
“Placing Shares”	the New Shares and the Sale Shares

DEFINITIONS

“PRC”	the People’s Republic of China which, for the purposes of this prospectus, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“Pre-IPO Share Option Plan”	the share option plan approved and adopted by the Company on 7th December, 2001, the principal terms of which are summarised in the paragraph headed “Share Options” in Appendix IV to this prospectus
“Relevant Securities”	has the meaning ascribed to such expression under Rule 13.15(4) of the GEM Listing Rules
“Reorganisation”	the reorganisation of the companies now comprising the Group, details of which are set out in the paragraph headed “Corporate reorganisation” in Appendix IV to this prospectus
“Sale Shares”	the 44,760,000 Shares being offered for sale by the Vendor at the Offer Price under the Placing
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“SFC”	Securities and Futures Commission of Hong Kong
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 7th December, 2001, the principal terms of which are summarised in the paragraph headed “Share Options” in Appendix IV to this prospectus
“Stock Borrowing Agreement”	the stock borrowing agreement dated 17th December, 2001 and entered into between the Vendor and the Lead Manager
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Underwriters”	the Lead Manager, GC Capital (Asia) Limited, Deloitte & Touche Corporate Finance Ltd, Prudence Securities Company Limited, Hantec Securities Company Limited, Core Pacific-Yamaichi International (H.K.) Limited, Sun Hung Kai International Limited and SBI E2-Capital Securities Limited
“Underwriting Agreement”	the placing and underwriting agreement dated 17th December, 2001 entered into between the Company, the executive Directors, the Initial Management Shareholders, Mr. Ng Hoi Kam, Mr. Li Chun Wan, the Vendor, the Sponsor, the Lead Manager and the Underwriters relating to the Placing, brief particulars of which are summarised in the section headed “Underwriting” to this prospectus
“Vendor”	Super Code Limited, a company incorporated in the British Virgin Islands
“US”	the United States of America
“WTO”	World Trade Organisation

DEFINITIONS

“HK\$” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US dollars” or “US\$”	United States dollars, the lawful currency of the US
“%”	per cent.
“sq.ft.”	square feet
“sq.m.”	square metre(s)

Notes:

1. Unless otherwise specified in this prospectus:
 - (a) references in this prospectus to “subsidiary” and “holding company” have the meanings ascribed to them in section 2 of the Companies Ordinance;
 - (b) references in this prospectus to “associated company” have the same meaning as in the Hong Kong Statement of Standard Accounting Practice Statement No. 10; and
 - (c) references in this prospectus to time and dates are to Hong Kong time and dates.
2. Unless otherwise specified in this prospectus, amounts denominated in RMB (other than those relating to the financials of the Group which are translated at the rates as at the relevant dates in question) have been translated, for the purpose of illustration only, into Hong Kong dollars at the rate of HK\$1=RMB1.07. No representation is made that any amounts in Renminbi or Hong Kong dollars could have been or could be converted at the above rates or at any other rates or at all.

GLOSSARY OF TECHNICAL TERMS

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

“ASP”	acronym for application service provider, a company that offers individuals or enterprises access over the Internet to applications and related services that would otherwise have to be located in their own personal or enterprise computers
“B2B”	acronym for business-to-business, the exchange of products, services, or information between businesses
“B2C”	acronym for business-to-customer, or the retailing part of e-commerce on the Internet
“BMP”	acronym for bit-mapped graphics format which is used in the Windows environment
“browser”	an application program that provides a way to look at and interact with all the information on the Internet
“CRM”	acronym for customer relationship management, an information industry term for methodologies, software, and usually Internet capabilities that help an enterprise manage customer relationships in an organised way
“database”	a collection of information organised in such a way that a computer program can quickly select desired pieces of data
“domain name”	a name that identifies one or more IP addresses
“e-Business” or “e-commerce”	the conduct of business on the Internet, including buying and selling, servicing customers and collaborating with business partners through the Internet
“e-Education” or “e-learning”	online interactive learning through the Internet
“ERP”	acronym for enterprise resource planning, an industry term for the broad set of activities supported by multi-module application software that helps a manufacturer or other business manage the important parts of its business
“Extranet”	an external connection to a part of a corporate intranet which allows access information stored beyond a firewall and acts as an extended Intranet, permitting parts of a company’s Intranet to be accessed by trading partners
“Ethernet”	a local-area network (LAN) protocol which uses a bus or star topology and supports data transfer rates of 10 Mbps.
“HTML”	acronym for Hypertext Markup Language, a collection of tags typically used in the development of web pages
“ICQ”	an online instant messaging program including various online applications such as text based communication with one or more users and file transfer
“ISP”	acronym for Internet service provider, a company that provides access to the Internet
“Internet”	the name given to the worldwide collection of networks and gateways, using the TCP/IP protocol that functions at a single, virtual network
“Intranet”	a network based on TCP/IP protocols belonging to an organisation, accessible only by the organisation’s members, employees, or others with authorisation

GLOSSARY OF TECHNICAL TERMS

“IP”	acronym for Internet protocol, which specifies the format of packets (datagrams) and the addressing scheme
“IT”	acronym for information technology, the broad subject concerned with all aspects of managing and processing information
“Java”	a high-level programming language developed by Sun Microsystems that is designed for handheld devices and set-top boxes
“Mbps”	acronym for millions of bits per second or megabits per second, a measure of bandwidth (the total information flow over a given time) on a telecommunications medium
“online”	being able to connect to the Internet by virtue of having an account that gives one access
“PC”	acronym for personal computer, a computer designed for use by one person at a time
“PDA”	acronym for personal digital assistant, a term for any small mobile hand held device that provides computing and information storage and retrieval capabilities for personal or business use
“portal”	a website that serves as a gateway to the Internet
“TAP”	acronym for telocator alphanumeric protocol, a communication protocol for paging network
“TNPP”	acronym for telocator network paging protocol, a communication protocol for paging network
“VoiceXML”	an application of XML, a standard language for building interfaces between voice-recognition software and web content, translating any XML-tagged web content into a format that speech-recognition software can deliver by phone
“WAP”	acronym for wireless application protocol, a specification for a set of communication protocol to standardise the way that wireless devices can be used for Internet access
“WBMP”	acronym for wireless bitmap, a graphic bitmap format for mobile computing devices
“web”	a system of Internet servers that support formatted documents
“web server”	a computer that delivers web pages
“website”	a set of interconnected web pages, usually including a home page, generally located on the same server, and prepared and maintained as a collection of information by a person, group, or organisation
“WML”	acronym for wireless markup language, a language used to specify content and user interface for WAP devices
“XML”	acronym for extensible markup language, a flexible way to create common information formats and share both the format and the data on the World Wide Web, Intranet, and elsewhere
“xHTML”	acronym for extensible hypertext markup, a hybrid between HTML and XML specifically designed for Internet device displays

GLOSSARY OF NAMES

This glossary contains the full names and brief descriptions of certain corporations named in this prospectus.

“Aionnet”	Aionnet Telecommunications Limited, a company incorporated in Hong Kong on 20th May, 1993
“Compaq”	Compaq Computer Limited, a leading global provider of technology and solutions or, if the context so requires, any or all of its subsidiaries and affiliated companies or any or all of its trademarks
“Diyixian”	Diyixian.com Limited, an Internet service provider in Hong Kong, the PRC and Taiwan
“Gilat”	Gilat Communications Limited, a company the securities of which are listed on NASDAQ and which is principally engaged in the development of interactive e-learning products and solutions and a provider of satellite-based communications services or, if the context so requires, any or all of its subsidiaries and affiliated companies or any or all of its trademarks
“Great Wall”	長城計算機軟件與系統有限公司 (Great Wall Software and Systems Integration Limited), a company established in the PRC specialising in systems integration
“Hewlett Packard”	Hewlett-Packard Hong Kong Limited, a company incorporated in Hong Kong providing Internet technology solutions and services or, if the context so requires, any or all of its subsidiaries and affiliated companies or any or all of its trademarks
“HyComm”	HyComm Wireless Limited (formerly known as Plotio Holdings Limited), a company the securities of which are listed on the Main Board and which is engaged in property development, leasing of properties, construction and decoration services, provision of property management services, property agency businesses and investment in technology-related businesses.
“IDT”	Integrated Display Technology Limited
“Lane Crawford”	Lane Crawford (HK) Limited
“Lee Kum Kee”	Lee Kum Kee Group Limited
“NASDAQ”	National Association of Securities Dealers Automated Quotation System
“Nike”	Nike (Hong Kong) Limited
“Nuance”	Nuance Communications Inc., a global leading speech recognition and speaker verification software developer or, if the context so requires, any or all of its subsidiaries and affiliated companies or any or all of its trademarks

GLOSSARY OF NAMES

“PMI” Project Management Institute, a non profit professional association registered in the US which establishes project management standards

“Sun Microsystems” Sun Microsystems of California Limited, a hardware, software and Internet technology solutions provider, the securities of which are listed on NASDAQ

RISK FACTORS

RISKS RELATING TO THE GROUP

Revenue basis

For the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001, a majority of the Group's turnover was derived from fixed price and short term contracts of a non recurring nature. The Group's failure to secure new contracts or to project accurately the time and resources required for a project, or to complete the contract within budget could have a material impact on the Group's revenue. As at the Latest Practicable Date, the Group had secured 20 project-based contracts on hand and such projects are expected to be completed by the first quarter of 2002.

Limited operating history and a history of operating loss

The Group was founded in 1997 and, accordingly, has had only a limited operating history upon which an evaluation of its business and prospects can be based. For the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001, the Group incurred losses. The Group's past operating results have been and its future operating results will be, subject to fluctuations due to a variety of factors, including competition, success in implementing its business strategy, success in implementing its expansion plans into the PRC market, success in and commercialising new e-Education solutions, e-Business solutions and multiple access solutions and the Group's ability to maintain its leading edge as one of the leading Internet technology and platform providers in Hong Kong.

It is possible for the Group's operating losses to increase in the foreseeable future due to a high level of planned operating and capital expenditures and increased sales and marketing costs which may not be matched by a corresponding increase in revenue in the near term.

Product development and market acceptance risks

The Group's future prospects are, to an extent, dependent upon the successful development and market acceptance of its e-Education solutions, e-Business products and multiple access platform. The Group must continue to explore new solutions and upgrade existing products in order to position itself at the cutting edge of the Internet technology and platform industry. Products that appear to be promising at the early phases of development may fail to achieve broad market acceptance for numerous reasons, including potential customers' migration to other technologies that are incompatible with the Group's products and the Group's failure to anticipate or respond adequately to changes in technology and customer preferences.

The markets for e-Education solutions and multiple access solutions are relatively new. The adoption of many of the Group's products and solutions could be hindered by the perceived costs of the implementation of new technologies as well as the reluctance of education institutions and business entities to reform their current systems and practices in order to integrate the Group's products and solutions into their mode of operations. Accordingly, there is a risk that the Group's products and solutions will fail to achieve commercial acceptance.

Reliance on key personnel

The Group has experienced a period of rapid growth in the number of employees and the scope of its operating business which has placed, and is expected to place, a significant strain on the Group's administrative, operational and financial resources. The Group's development has also resulted in an increase in responsibilities for its management and employees. There can be no assurance that the Group will be able to manage its expansion by retaining its existing executives and technical personnel and by recruiting additional employees as competition for such personnel is intense. The Group's success is, to a certain extent, attributable to the expertise and experience of its senior management. Should any of them cease to be involved in the Group's management, the Group's business operations may be adversely affected.

RISK FACTORS

Reliance on distribution and technological partners and other strategic alliances

The Group has appointed various local agents as the distributor of its e-Education products in the PRC. The Group intends to extend the market coverage of its e-Education platform in the PRC and other parts of the Asia Pacific region through the appointment of suitable local software companies as the distributor or reseller of the Group's e-Education products.

To complement the launch of the OpenCampus, which is an ASP-model, the Group has entered into a co-operative agreement with Aionnet in order to facilitate the Group's access to the necessary broadband backbone network.

In relation to its e-Business products, the Group has entered into a memorandum of understanding with a global leading computer and network products provider pursuant to which the computer and network products provider will provide free seminar slots, web selling facilities as well as marketing funds to the Group in respect of its software products under the joint marketing arrangements. The Group has also entered into an agreement with Diyixian whereby Diyixian has agreed to provide dedicated server hosting services for the Group's clients. To build up the corporate client base of its multiple access platform, the Group has entered into memorandums of understanding with various alliances for the promotion of the Group's multiple access platform to corporate users. The Group's arrangements with its distributors, resellers or alliances do not generally contain any minimum purchase requirements. There is no assurance that these distributors, resellers or alliances will market or devote significant resources to market the Group's products.

As the Group's business relations with its distributors, resellers and other strategic partners are at an early stage of development, there is a risk that such relations cannot be maintained. There is also a risk that the Group's existing and future partners would fail to meet their obligations under the co-operative arrangements or have economic or business interests or goals that are inconsistent with those of the Group.

In the event that the Group's existing and future co-operative arrangements are terminated or are not renewed upon expiry, the Group's business operations will be adversely affected.

The e-Education, e-Business solutions and voice and wireless markets are characterised by rapid technological changes. In order to maintain its leading edge in the industry, the Group has formed and intends to establish alliances with leading technological vendors in order to have access to the latest technological advances and to enrich the Group's offerings. There can, however, be no assurance that the Group will be able to establish and maintain technological alliances that will enhance the Group's product development capacity. As the Group's business arrangements with its technological alliances are not generally exclusive, there is a risk that these technological alliances may enter into similar technological transfer or reseller arrangements with the Group's competitors.

Credit risks

As the business of the Group is mainly project based, its portfolio of customers varies from time to time. In addition, there may not be recurring orders from the same customer after the Group has completed a project for it. It is also an industry norm that full payment of a project is made after a project is completed. The Group's financial performance is, hence, affected to some extent by the creditworthiness of its customers. For each of the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001, bad debts of the Group amounted to approximately HK\$136,000, HK\$2,283,000 and HK\$782,000 representing approximately 9.89%, 25.46% and 9.58% of the total turnover of the Group respectively.

Although the Group closely monitors its credit and the amount due from its customers, there is no assurance that the Group will not encounter difficulty in collecting trade receivables from its customers in the future.

RISK FACTORS

Defective products and product liability

Complex software products may contain errors, defects and bugs. With the planned release of any product, the Group may discover errors, defects and bugs and, as a result, its products may take longer than expected to develop. In addition, remedies for errors or bugs may be technologically unfeasible. Delivery of products with undetected production defects or reliability, quality, or compatibility problems could damage the Group's reputation. Errors, defects or bugs could also bring about business disruptions to the Group's customers or result in a breach of the Group's contracts with its customers. There is a risk that the Group may be required to expend significant capital and other resources to remedy these problems. In addition, voice and wireless enabling technologies are still at an early stage of development. Speech recognition and related authentication technologies may not have complete accuracy. Any misrecognition of voice commands or incorrect authentication of a user's voice could result in claims against the Group.

The Group does not maintain any product liability insurance. Users or customers may claim against the Group for unsatisfactory performance of the Group's products even if results from technological inadequacies are not directly related to the standard and quality of the Group's products. Any such claim, regardless of its merits, could result in costly litigation.

Liability for content distributed

The Group plans to distribute the education content offered by third parties on its e-Education platform. The Group also intends to aggregate courseware and other education content as part of the offerings of Openday.com. The education content distributed by the Group through its e-Education platform and Openday.com may be regulated or prohibited by the laws of a jurisdiction in which the content can be accessed. Laws that may be applicable include, but are not limited to, libel and defamation, public security, solicitation, gambling and pornography. The Group could be found liable under such laws for the sourcing, provision, delivery or transmission of regulated or prohibited information. This may result in criminal penalties including a fine or other sanctions or the loss of the Group's right to distribute content in the relevant jurisdiction. The Group does not currently maintain any insurance in this respect and any significant liability claim would have a material adverse effect on the Group.

The courseware and other education content available from the Group's e-Education platform and Openday.com are not and may not be developed by the Group. The Group could also be held liable for infringement of copyright or other intellectual property right for the dissemination of such information.

Systems failure or inadequacies

The Group is dependent upon its distribution partners, network providers and other Internet service providers for the storage, delivery and transmission of the data of its e-Education platform, multiple access platform and some of its e-Business products. Any systems failure or inadequacy which may or may not be related to the Group's platform that causes interruptions to the input, retrieval and transmission of data or increases the response time of services could reduce user satisfaction and the attractiveness of the Group's products. In addition, there is no assurance that the Group, its distribution partners, network providers or other Internet service providers are able to upgrade the systems to cope with the increase in data and traffic.

The Group's current backup systems may not effectively cater for damages from fire, floods, typhoons, earthquakes, power loss, telecommunications failures, breaks-ins and similar events. If any of the foregoing occurs, the Group may suffer losses of capital investment which could, in addition, adversely affect failure revenue streams.

RISK FACTORS

Security risks of proprietary systems

The Group's networks may be vulnerable to computer viruses, unauthorised access or security breaches by hackers, former or existing employees or other third parties or other disruptive problems which may result in misappropriation or unauthorised disclosure of the Group's proprietary technologies, delays, loss of data or inability to complete transactions. If this occurs, the Group's operations would be adversely affected. Despite a variety of security measures taken by the Group, it cannot guarantee that unauthorised access, computer viruses and other disruptions will not occur.

Geographical expansion

The Group intends to launch its e-Education platform, e-Business products and multiple access platform in the PRC and other regions. These regions are untested markets for the Group's products and services and the Group has limited experience in conducting business in these markets. In addition, the Group faces a number of inherent risks in expanding into the overseas markets including political and economic instability, changes in diplomatic and trade relations, differences in regulatory requirements, more stringent product liability exposure, potentially adverse tax consequences, fluctuations in currency exchange rates, burdens in complying with foreign laws and regulations and administrative difficulties in staffing and managing foreign operations.

The pursuit of expansion plans outside the domestic market may shift the Group's business focus and put a strain on management and human resources. There can be no assurance that the Group will be able to gain a foothold in these overseas markets and the deployment of human and financial resources in pursuit of such expansion plans may have a material adverse effect on the Group.

Intellectual property protection

The Group's success depends in part on its ability to protect its proprietary technologies and processes. The Group has not applied for patent registration in respect of any of its proprietary technologies and processes. The Group relies mainly on trade secret protection, confidentiality provisions in contracts and protection conferred under general law. These may not be adequate to deter misappropriation of its proprietary technologies and processes. Any unauthorised use or application of its propriety technology could have a material and adverse effect on the Group's operations. In addition, the Group's competitors may independently develop technologies that are similar or superior to that of the Group and these parties may seek patent or other intellectual property right registration in respect of their technologies. The Group may also be exposed to infringement claims as the number of products and competitors in the Internet platform and technology industry grows and the functionality of products in the market overlap. Any of these claims, regardless of its merits, could result in costly litigation.

Changing operating environment

The markets in which the Group operates are characterised by rapidly changing technologies, evolving industry standards, the frequent introduction of new products and services and evolving business models. Given this rapidly changing operating environment, the Group's future success will depend on its ability to adapt to rapidly changing technologies, to adapt its products and services to evolving industry standards and to continually improve the performance, features and reliability of its products and services in response to competitive service and product offerings and to the evolving demands of the market place. The failure of the Group to adapt to such changes would have a material adverse effect on the Group's business, operating results and financial condition.

RISK FACTORS

RISKS RELATING TO THE INDUSTRY

Product substitution

The Internet platform and technology industry is subject to rapid and significant changes in technology. New technological developments which may impact on the database architecture, voice and wireless enabling technologies and other aspects of the Group's operations are expected to continue at a rapid pace. It is difficult to predict the effect of emerging and future technological changes and inventions on the viability or competitiveness of the Group's products. It is essential for the Group to respond to these changes by enhancing its existing products and developing new products in a timely manner to meet or anticipate technological advances in the market. In addition, new alliances may have to be formed with new technological partners to enable the Group to have access to emerging technologies and new industry standards. The Group has to adopt and modify development methods, processes and programmes in response to new technologies and industry standards. The failure of the Group to respond rapidly to changing technologies and new industry standards could have a material and adverse impact on the Group's operations.

Competition

The Group operates in a competitive market characterised by continuous change in technology and standards. The Group faces local and international competitors in the markets for e-Education, e-Business and multiple access platform. There can be no assurance that the Group will be able to compete successfully against its current or future competitors. The markets for e-Education and multiple access platform are relatively new and may undergo substantial changes in the course of the next few years. Competitors may increase substantially as the introduction of new technologies and potential regulatory changes create new opportunities for new entrants to the industries. Any increase in competition could result in price reduction, erode the Group's market share and have an adverse impact on the Group's operations.

Internet infrastructure

A key component of the Group's business is dependent upon a reliable Internet infrastructure that supports efficient data transmission and provides adequate security. The Group's success is dependent on the continued growth and maintenance of the Internet, Intranets, web servers and browsers over which it implements its Internet-based solutions. If user traffic on the Internet continues to grow, the existing infrastructure networks may be unable to cope with and further developments of the networks may not be able to match the increased levels of activities. The Internet may then lose its attraction as an effective communication and information exchange medium. This may have a material adverse effect on the Group's operations.

Statistics

Facts and statistics in this prospectus are derived from available publications. Whilst the Directors have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by the Company and, therefore, the Company makes no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside Hong Kong. Due to different collection methods and other problems, the statistics in this prospectus may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Besides, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

RISK FACTORS

RISKS RELATING TO THE SHARES

Inactive trading market and price volatility of the Shares

An active trading market for the Shares may not develop and the trading price for the Shares may fluctuate significantly. Prior to the Placing, there has been no public market for any of the Shares. The Offer Price for the Placing Shares has been determined by negotiation between the Company and the Underwriters. This price may not be indicative of the price at which the Shares will trade following the completion of the Placing. In addition, there can be no guarantee that an active trading market for the Shares will develop, or, if it does develop, that it will be sustained following the completion of the Placing, or that the market price of the Shares will not decline below the Offer Price.

The trading price of the Shares could also be subject to significant volatility in response to, among other facts:

- developments in the IT infrastructure and Internet service industries;
- announcements of new products or services;
- technological innovations;
- changes in pricing made by the Company, its competitors or providers of alternative services;
- changes in senior management;
- changes in share prices of other companies in the Internet sector;
- the depth and liquidity of the market for the Shares and the development of GEM as a stock market; and
- general economic and other factors.

OTHER RISKS

Political considerations

Hong Kong

The Group's operations are based in Hong Kong. With effect from 1st July, 1997, sovereignty over Hong Kong was re-vested in the PRC pursuant to the Basic Law of Hong Kong (the "Basic Law"), and Hong Kong is now a special administrative region of the PRC. The Basic Law provides that Hong Kong will enjoy a high degree of autonomy and that it will be vested with executive, legislative and independent judicial power. The Basic Law also provides that the previous capitalist system and way of life shall remain unchanged for 50 years. There is, however, no assurance, that the tenets of the Basic Law will be fulfilled and any adverse effect on the social, political or economic systems in Hong Kong resulting from this transfer of sovereignty could have a material adverse effect on the Group's business, financial condition and prospects.

PRC

The PRC government has been undergoing a series of reforms since 1978, and is expected to continue to reform the PRC political system. Such reforms have resulted in significant economic growth and social progress. However, further refinements and amendments are necessary to enable the political system to develop into a more sophisticated form. No assurance can be given that the PRC government's reform policy will continue or will continue to be effective or that any adjustment to it will not have a significant impact on the business of the Group.

RISK FACTORS

Economic and currency considerations

Hong Kong

The Hong Kong dollar has remained relatively stable due to the US dollar peg system that has been in effect in Hong Kong since 1983. In 1998, Hong Kong has suffered deflation and the Hong Kong dollar has been subject to currency speculation. There can be no assurance that the Hong Kong economy will not worsen or that the historical currency peg of the Hong Kong dollars to the US dollar will be maintained. Recession in Hong Kong, deflation or the discontinuation of the historical currency peg could adversely affect the Group's business.

PRC

The PRC economy was a planned economy which was subject to five year plans. In recent years, the PRC government has introduced economic reforms aimed at transforming the PRC economy from a planned economy into a market economy with socialist characteristics. These economic reforms allow greater utilisation of market forces in the allocation of resources and greater autonomy for enterprises in their operations. However, many rules and regulations implemented by the PRC government are still at an early stage of development and further refinements and amendments are necessary to enable the economic system to develop into a more sophisticated form. No assurance can be given that any change in economic conditions as a result of the economic reform and macro-economic measures adopted by the PRC government will have a positive effect on PRC's economic development or the information technology sector of the PRC economy. At the same time, there can be no assurance that such measures will be consistent and effectual or that the Group will benefit from or will be able to capitalise on all such reforms.

Currency conversion and exchange control in the PRC

The Group intends to expand into other markets in the near future. One of the targeted principal markets of the Group is the PRC and a greater proportion of the Group's sales is expected to be denominated in Renminbi in future. Accordingly, the profitability of the Group could be adversely affected by fluctuations in the exchange rate of Renminbi against the Hong Kong dollar or other currencies.

Renminbi remains not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and the Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, FIEs are permitted to repatriate or distribute its profits or dividends in foreign currencies out of its foreign exchange accounts or exchange Renminbi for foreign currencies through banks authorised to conduct foreign exchange business. Conversion of Renminbi into foreign exchange by FIEs for the use of recurring items, including the distribution of dividends to foreign investors, is permissible. Conversion of Renminbi into foreign currencies for capital items, including items such as direct investment, loans and security investment, is subject to more stringent control.

On 1st January, 1994, the PRC government adopted a unified exchange rate system under which the exchange rate is determined basically by demand and supply in the market. The introduction of any law or regulation which prohibits or further restricts the convertibility of Renminbi into foreign currency will have an adverse impact on the Group's operations and profitability.

The threat of wars

The war in Afghanistan launched by the US has brought about economic uncertainty and affected the recovery of the general decline in the global financial markets since 2001. This has, in turn, affected investment sentiments in the Hong Kong markets and had an adverse impact on the overall economy of Hong Kong. If the downturn in the economy in Hong Kong or other targeted markets of the Group persists, this may have an adverse effect on the performance and operations of the Group.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

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

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

FULLY UNDERWRITTEN

The Placing comprises 105,240,000 New Shares being offered for subscription by the Company and 44,760,000 Sale Shares being offered for sale by the Vendor, in each case, at the Offer Price. The Company has granted the Over-allotment Option to the Lead Manager under the Underwriting Agreement, upon the exercise of which, the Company may be required to issue up to an additional 22,500,000 Shares to cover over-allocations under the Placing.

The Placing is sponsored by Deloitte, managed by the Lead Manager and fully underwritten by the Underwriters. Further information on the Underwriters and the underwriting arrangement is disclosed in the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFERING OF PLACING SHARES

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

United States

This prospectus has not been and will not be published in the US, its territories, possessions or areas subject to its jurisdiction under the US Securities Act, and the Placing Shares may not be offered, sold or delivered within the US or to, or for the account or benefit of, US persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act.

United Kingdom

This prospectus has not been approved by an authorised person in the United Kingdom and has not been registered with the Register of Companies in the United Kingdom. None of the Company or the Underwriters has offered or sold and, prior to the expiry of six months from the date dealings in the Shares commence on the Stock Exchange, will not offer or sell any Shares. The Placing Shares may not be offered or sold in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding managing or disposing of investments (as

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

principal or agent) for the purpose of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the New Issues of Securities Regulations 1995. In addition, no person may issue or pass on to any person in the United Kingdom any document received by it in connection with the Share Offer unless that person is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 as amended or is a person to whom such document may otherwise lawfully be issued or passed on.

Singapore

This prospectus has not been and will not be registered as a prospectus with the Registrar of Companies and Businesses in Singapore and the Placing Shares will be offered in Singapore pursuant to an exemption invoked under Section 106C of the Companies Act, Chapter 50 of Singapore (the "Singapore Companies Act"). Accordingly, this prospectus may not be issued, circulated or distributed in Singapore, nor may any of the Placing Shares be offered for subscription or sold, whether directly or indirectly, nor may an invitation or offer to subscribe for any Placing Shares be made, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor or other person specified in Section 106C of the Singapore Companies Act or (ii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the Singapore Companies Act. The Registrar of Companies and Businesses in Singapore takes no responsibility for the contents of this prospectus or any of the documents referred to above.

Japan

This prospectus has not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law"). None of the Placing Shares may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except: (i) pursuant to an applicable exemption from the registration requirements of the Securities and Exchange Law; and (ii) in compliance with any other applicable requirements of Japanese law.

Each person acquiring the Placing Shares will be required to, or deemed by its acquisition of the Placing Shares to, confirm that it is aware of the restrictions on offers of the Placing Shares described in this prospectus.

APPLICATION FOR LISTING ON GEM

Application has been made to the GEM Listing Committee for the listing of and permission to deal in the Shares in issue, the Shares to be issued pursuant to the Placing and the Capitalisation Issue, the Shares to be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Plan and the Share Option Scheme.

Under section 44B(1) of the Companies Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has not been applied for before the third day after the first issue of the prospectus or been refused before the expiration of three weeks from the date of the closing of the subscription lists under the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to the Company for permission by or on behalf of the Stock Exchange, then any allocation made on application in pursuance of this prospectus shall, whenever made, be void.

No part of the share or loan capital of the Company is listed or dealt in on the Main Board or any other stock exchange. At present, the Company is not seeking nor proposing to seek listing of or permission to deal in the Shares on the Main Board or any other stock exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

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

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Placing Shares, you should consult an expert.

None of the Company, the Vendor, Deloitte, the Lead Manager, the Underwriters, their respective directors, agents and advisers and any other persons involved in the Placing accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscription for, or purchase, holding or disposal of, or dealings in, or the exercise of any rights in relation to, the Placing Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as described in this prospectus on GEM by the Stock Exchange as well as the compliance 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 GEM or on any other date Hongkong Clearing chooses. All necessary arrangements have been made for the Shares to be admitted into CCASS.

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 the CCASS Operational Procedures in effect from time to time.

CCASS participants should note however, that in the event that the Placing does not become unconditional as referred to in the section headed “Structure of the Placing” at any time after the deposit of the Placing Shares into CCASS, the Shares will cease to be eligible securities and appropriate action will be required to be taken to withdraw such ineligible securities from CCASS.

STAMP DUTY

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

STRUCTURE AND CONDITIONS OF THE PLACING

Particulars of the structure and conditions of the Placing are set out in the section headed “Structure of the Placing” in this prospectus.

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Yu Hang Chung, Herman (Chairman)	Room 102, 13th Floor Imperial Court 79 Waterloo Road Kowloon Hong Kong	Chinese
Mr. Suen Kwok Kin	13th Floor 100 Robinson Road Hong Kong	Chinese
Mr. Kam Chun Ying, Francis	Flat 15D, Block 24 City One Shatin New Territories Hong Kong	Chinese
Mr. Cheng Yu Hong	4C, 70 Conduit Road Mid-Levels Hong Kong	Chinese
<i>Non-executive Directors</i>		
Mr. Woo Chia-wei	SSQ Tower 19 Flat 5B, HKUST Clearwater Bay Kowloon Hong Kong	Chinese
Mr. Choy Mun Kei	Room 915, Block 19 Ming Wah Building Shaukeiwan Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Lau Wah Sum	Lot 343, DD 224 House No. 5 Clearwater Bay Road Kowloon Hong Kong	Chinese
Mr. Cheung Chun Ying, Victor	Tower One, Apartment 9A 23 Old Peak Road Hong Kong	British

PARTIES INVOLVED IN THE PLACING

Sponsor	Deloitte & Touche Corporate Finance Ltd 21st Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Lead Manager	Kingston Securities Limited Suite 2801, 28th Floor One International Finance Centre 1 Harbour View Street Central Hong Kong
Underwriters	GC Capital (Asia) Limited Unit 6501-6 The Center 99 Queen's Road Central Hong Kong
	Deloitte & Touche Corporate Finance Ltd 21st Floor Wing On Centre 111 Connaught Road Central Hong Kong
	Prudence Securities Company Limited 18th Floor Silver Fortune Plaza 1 Wellington Street Central Hong Kong
	Hantec Securities Company Limited Room 1903, 19th Floor South China Building 1-3 Wyndham Street Central Hong Kong
	Core Pacific-Yamaichi International (H.K.) Limited 30th Floor, Pacific Place Two 88 Queensway Hong Kong
	Sun Hung Kai International Limited 12th Floor One Pacific Place 88 Queensway Hong Kong
	SBI E2-Capital Securities Limited 20th Floor, Henley Building 5 Queen's Road Central Hong Kong

PARTIES INVOLVED IN THE PLACING

Legal advisers to the Company

As to Hong Kong law:
Richards Butler
20th Floor, Alexandra House
16-20 Chater Road
Central, Hong Kong

As to PRC law:
Commerce & Finance Law Offices
Room 714, Huapu International Plaza
No. 19, Chaowai Avenue
Chaoyang District
Beijing 100020
People's Republic of China

Legal advisers to the Underwriters

Chiu & Partners
41st Floor, Jardine House
1 Connaught Place
Central, Hong Kong

Auditors and reporting accountants

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

Property valuers

Sallmanns (Far East) Limited
15th Floor, Trinity House
165-171 Wanchai Road
Wanchai
Hong Kong

CORPORATE INFORMATION

Registered office	Unit 2801-2805 28th Floor, Island Place Tower Island Place 510 King's Road North Point Hong Kong
Website of the Company	<i>www.code-bank.com (information on this website does not form part of this prospectus)</i>
Company Secretary	Mr. Kam Chun Ying, Francis (FCCA, AHKSA)
Members of audit committee	Mr. Lau Wah Sum (Chairman) Mr. Cheung Chun Ying, Victor Mr. Kam Chun Ying, Francis
Authorised representatives	Mr. Yu Hang Chung, Herman Mr. Cheng Yu Hong
Compliance officer	Mr. Kam Chun Ying, Francis (FCCA, AHKSA)
Qualified accountant	Mr. Kam Chun Ying, Francis (FCCA, AHKSA)
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong The Bank of China (Hong Kong) Limited 177 Ngau Tau Kok Road Kowloon Hong Kong
Share registrar and transfer office	Standard Registrars Limited 5th Floor Wing On Centre 111 Connaught Road Central Hong Kong

INDUSTRY OVERVIEW

The information provided in this section is derived from various private and/or publicly available documents. This information has not been prepared or independently verified by the Company, the Vendor, the Sponsor, the Lead Manager, the Underwriters or their respective advisers or affiliates.

THE INTERNET

The Internet is a global network medium providing commercial organisations, educational institutions, government agencies, and individuals with a single virtual destination point where they can communicate, access and exchange information, and conduct business activities electronically. It is a medium which provides a wide range of services such as e-mail, business applications, online education, online computing and an enormous amount of other valuable applications and resources.

Internet usage in Hong Kong and the PRC

The number of Internet users in the Greater China region has surpassed 24 million people in the fourth quarter of 2000 according to the recent research conducted by iamasia (Interactive Audience Measurement Asia). There are about 15.2 million Internet users aged five or above in the PRC, 2.2 million in Hong Kong and 6.4 million in Taiwan. It is expected that the number of Internet users in the Greater China region will continue to grow in the near future.

The following table sets out a comparison of Internet usage between Hong Kong and the PRC.

	PRC	Hong Kong
Total number of Internet users	15.2 million	2.2 million
Six-month growth in number of Internet users (from the second quarter to the fourth quarter of 2000)	15.4%	9.7%
Internet penetration (Internet users as a percentage of total population aged five years or above)	7%*	34%
Percentage of Internet users that log on:		
at home	56%	84%
at work	39%	26%
at school	8%	21%
at an Internet cafe	35%	2%
Percentage of Internet users that are male	60%	57%
Percentage of Internet users between the ages of 15 and 29	57%	43%
Average household income of Internet users	US\$5,780	US\$51,650
Percentage of Internet users that have tried e-commerce	10%	13%

* *urban population*

Source: *iamasia*

Many US Internet technology companies and solution providers have entered the PRC market in 1999. With the highest population in the world, the huge e-commerce market in the PRC offers ample opportunities for both domestic and foreign companies.

INDUSTRY OVERVIEW

e-BUSINESS SOLUTIONS

The rapid growth in the number of Internet users has also been combined with a surge in e-Business activities. The table below outlines sales forecasts for B2B sales up to 2004.

B2B eCommerce by Region, 2000-2004 (in \$ billions)

	2000	2001	2002	2003	2004	As a % of worldwide B2B e-Business 2004
	US\$	US\$	US\$	US\$	US\$	
North America	159.2	316.8	563.9	964.3	1,600.8	57.7%
Asia/Pacific Rim	36.2	68.6	121.2	199.3	300.6	10.8%
Europe	26.2	52.4	132.7	334.1	797.3	28.7%
Latin America	2.9	7.9	17.4	33.6	58.4	2.1%
Africa/Middle East	1.7	3.2	5.9	10.6	17.7	0.6%
Total	226.2	448.9	841.1	1,541.9	2,774.8	100.0%

Source: eMarketer, 2001

The rise in e-Business activities has generated demand for e-Business applications which facilitate communication, collaboration and coordination between consumers, business and trading partners. IDC has estimated the world market for e-Business applications grew by approximately 175% in 2000 to reach nearly US\$5 billion. While this rapid rate of growth is expected to slow down in 2001 as a result of the weakening economy, the trend towards outsourcing specialist skills is expected to bring about long term growth for e-Business applications.

According to a research on 134 companies from around the world conducted by Cutter Consortium, an information technology consultant firm, approximately 42% of companies who have participated in the research are engaged in e-Business activities. In order to stay competitive, it is believed that e-Business initiatives are critical for a company's long term success.

MULTIPLE ACCESS PLATFORMS

The growth in Internet subscribers and mobile phone penetration is expected to create increasing demand for multiple access platforms. These are sophisticated Internet platforms, capable of receiving and sending information in a variety or a combination of text, voice and other formats.

The sections below illustrate the growing importance of mobile and other emerging wireless communications services in enabling businesses to conduct Internet-based activities.

INDUSTRY OVERVIEW

Alternative Internet Access

The growth in client/server computing, multimedia and online services, and the proliferation of networking technologies have led to the extensive use of services such as e-mail, electronic file transfers, and e-commerce. Meanwhile, the arrival of WAP and broadband services has introduced a whole new dimension to new service possibilities, and has blurred the lines between computing services, multimedia, and telephony. Broadband provides the much-needed bandwidth for the convergence of technologies for computing, entertainment, and communications to digital infrastructures. This enables the creation of a whole host of new product offerings catering for different audiences, and this 'customisation' in turn makes the widespread adoption of the Internet a reality.

As mobile and other emerging wireless communications services become more widely available and affordable, business entities are placing increasing emphasis on the use of wireless communications in sharing information and conducting business electronically. Wireless web-enabled devices are expected to increase usage of the Internet, providing remote access to e-mail and all kinds of information.

According to The Wireless Handbook for China released in December 2000 by Intrinsic Technology, the number of mobile users in the PRC will exceed 250 million by the end of 2005.

	2000	2001	2002	2003	2004	2005
Number of subscribers (million)	65.2	111.2	158.3	209.8	228.2	254.1
Cellular revenues (US\$ million/year)	22,689	32,472	56,728	73,446	79,495	87,969
Average revenue per user (US\$/month)	30.10	29.85	29.75	29.24	29.03	28.85
Wireless data users (million)	0.3	3.7	22.4	55.6	65.9	79.3
Wireless data penetration	0.5%	3.5%	14.4%	26.5%	28.9%	31.2%
Data-related revenue (US\$ million/year)	2.6	193.3	1,181	2,625	3,759	5,844

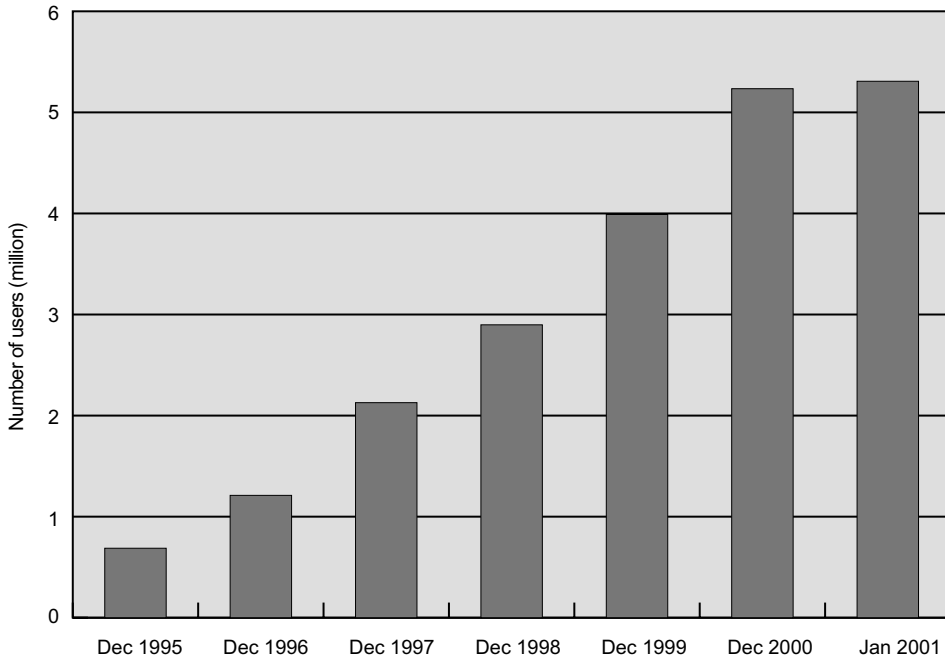
Source: *Intrinsic Technology*

Voice and wireless Internet brings business entities access to relevant information speedily. Through voice and wireless Internet, companies are able to extend their operations, communications and customer service to the mobile medium in order to achieve immediate B2C and B2B communications, enabling them to reduce the time and costs required to transact business.

INDUSTRY OVERVIEW

The following chart shows the increase in the number of users for wireless services in Hong Kong from December 1995 to January 2001:

Number of wireless users in Hong Kong



Source: Office of Telecommunication Authority

One of the major potential barriers to growth of e-commerce in the PRC is the lack of PCs in the country. According to the China Internet Network Information Center, among approximately 8,920,000 computer hosts in the PRC at the end of 2000, 1,410,000 and 7,510,000 were connected through leased lines and dial-up connections respectively. At the same time, there were 22,500,000 Internet users in the PRC with 3,640,000 and 15,430,000 users using leased line connections and dial-up connections respectively. Furthermore, apart from computer, other devices such as mobile terminals and information electrical appliances are used by approximately 920,000 users in the PRC to access Internet.

With the disproportionately high penetration of mobile phones compared to PCs in the PRC, Internet access via mobile phones is expected to create a vast potential market.

Mobile Internet

With the emergence of alternative devices for Internet access, mobile Internet is a market with considerable potential growth. Companies are competing for customer mindshare and also a share of future mobile commerce revenues. As the new market is still relatively unexplored, market estimates are as yet rather vague – the current mobile Internet services are characterised by slow speeds, incompatible standards, limited functionality and the absence of compelling content.

However, there are encouraging signs from the industry with dramatic subscriber growth as reported by a major fixed and mobile telecom operator in Japan with the launch of a new service, which provides access to a variety of Internet services such as e-mail and online banking.

INDUSTRY OVERVIEW

Several factors serve to drive near-term growth of the mobile Internet market:

1. Telecom operators and Internet content/portal companies are seeking to establish themselves in these early stages of development, hence driving investment.
2. WAP may create a common standard for handheld devices. It provides an open standard for companies, from mobile operators to content providers and portals, to build a common platform for connection.
3. The expected growth in wireless communications subscribers should further drive rapid adoption of mobile Internet.
4. With the increasing awareness of and familiarity with the Internet, there is growing demand for Internet access unrestricted by a fixed line location – i.e. mobile devices that enable access to information anywhere at anytime.

According to IGI Consulting, an independent consulting firm specialising in telecom market assessment, the number of worldwide mobile Internet-enabled mobile devices is expected to experience significant growth in the next few years.

	2001	2002	2003	2004	2005
Number of mobile internet-enabled devices produced (million)	383	490	600	725	830
% growth	155%	28%	22%	21%	14%

Source: IGI Consulting

e-EDUCATION

The Internet's ability to store and deliver comprehensive educational content is the primary driving force behind the adoption of e-Education in the education market. e-Education is an effective and valuable turnkey solution for education systems and corporations that utilises advanced technology to offer online courses and services to individuals wherever they happen to be.

Universities and colleges are bringing everything from course materials to administrative functions online, transforming the way they use to conduct education and enabling them to reduce the time and cost required to conduct education and ultimately improving the quality of teaching. School websites provide students, staff members and administrators with a virtual network where they can communicate. The learning process can also be improved with the effective use of the Internet which provides students with more comprehensive resources. With the use of the Internet, online learning can help develop skills such as problem solving, collaboration, statistical analysis and simulation, creativity and critical thinking, thus facilitating general learning for students.

e-Education eliminates the barriers of time and distance for students, especially for those students who do not have access to universities in their home countries. Through partnerships with universities and reputable institutions in establishing online academic institutions, business opportunity for distance learning can be created.

INDUSTRY OVERVIEW

The Internet can also make higher and continuing education available to a much wider range of people, especially for those mature students who wish to further continue their studies at their own pace. Most universities charge the same amount of tuition fees to online education students as in-campus students without providing any in-campus facilities. Leveraging on these competitive advantages, universities can strategically increase the diversity of degree choices to attract and recruit online students.

Furthermore, there is great potential for the development of online education for undeveloped countries striving to reach developed countries status. Online education provides people in those countries a good learning opportunity with high-quality and comprehensive materials through the Internet. Given the convenience of communication created by the Internet and the substantial opportunity embedded in global education, e-Education enjoys competitive advantage over traditional education, delivering more value at less cost.

e-Education has a number of competitive advantages compared to traditional education:

- *Convenience.* The Internet overcomes the two largest barriers that inhibit traditional education – time and distance. This is particularly true for countries with pockets of scarcely populated areas, or in areas where geological conditions make travelling difficult. In addition, e-Education also prevails over limited accessibility of classrooms, teachers, and libraries.
- *More focused content.* Compared to traditional education, e-Education is less restricted by influences from the local lifestyle and community, and can be more focused, or customized, to meet the particular needs of the target audience.
- *Provides online experiences.* With the Internet penetrating almost all aspects of life, e-Education provides the young generation with vital online exposure.

e-Education also benefits the teaching community:

- *Alliances provide instant solutions.* Companies that offer e-Education content and infrastructure will save schools the resources to develop their own solutions.
- *Helps fulfil the objective of effective education.* The vast information available to students online provides more content and new ways of learning, hence enabling schools to achieve their objective of education more effectively.
- *Helps attract and retain students.* To remain competitive, schools that provide Internet facilities will become more attractive to students.

While schools choose to outsource the development and/or management of their online solutions, numerous companies are taking advantage of this opportunity to provide the schools with tools, strategies and solutions to help them bring content and courses online. Some companies focus solely on the technology platform, while others offer the entire solution including the content, technology, implementation and deployment. The establishment of a computer network system for an university is costly, but the competitive advantage of online education, coupled with high operating leverage for online universities, should translate into high margins and returns on capital in the e-Education industry in the long term.

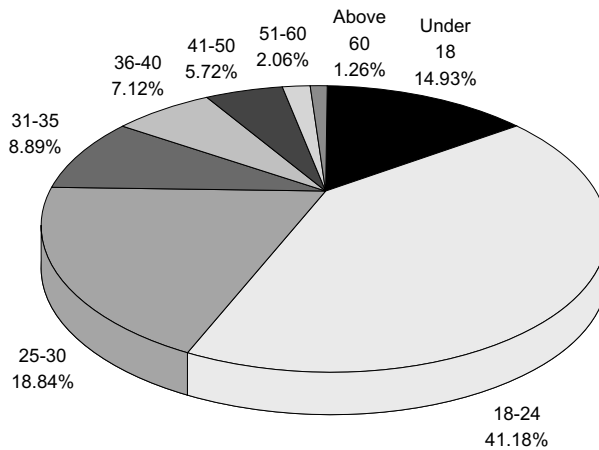
Companies providing e-Education infrastructures will need to foster strong relationships with schools, so that its position is firmly entrenched via a tightly integrated infrastructure across the school, and so that new product and service offerings can be developed through a close working relationship. The infrastructure solution itself should be scalable, and easy to install and to use. Infrastructure providers can also act as a useful link between content providers and schools.

INDUSTRY OVERVIEW

The e-Education Market in the PRC

According to the 電教技術開發應用研究所(e-Education Technology Development and Application Research Centre) of the Ministry of Education of the PRC, the development of the Intranet/Extranet for schools in the PRC is expected to bring about business opportunity of about RMB100 billion for the education market in the PRC. In the next five to ten years, approximately 90% of primary and secondary schools in the PRC will implement Intranet or Internet and the “校校通”工程(Schools Network Program). Out of a total of approximately 700,000 primary and secondary schools in the PRC, about 5,700 have established their own Intranet systems. However, these Intranet systems are currently not linked to each other. Through the “校校通”工程(Schools Network Program), the Ministry of Education of the PRC plans to link up the Intranet systems of the schools thereby forming an extensive educational network in the PRC.

According to the China Internet Network Information Center, approximately 20.92% of students in the PRC access the Internet. Given the needs of students, there will be substantial e-commerce opportunities in the education market. In view of the growing popularity of the school website, online retailers, such as online textbook retailers, are proliferating rapidly, capitalising on the power of the Internet, providing students with a virtual location where they can go for their courseware needs. The following graph illustrates the breakdown of Internet access in the PRC by age at the end of 2000.



Source: China Internet Network Information Center

HISTORY AND DEVELOPMENT AND ACTIVE BUSINESS PURSUITS

HISTORY AND DEVELOPMENT

Background

The Group was founded by Mr. Yu Hang Chung, Herman in April 1997 to engage in the provision of e-Business solutions which mainly included the design and implementation of Intranet system and portal development. The Company was incorporated on 23rd July, 1999. The results of the subsidiaries of the Company acquired or disposed of during the track record period are consolidated with that of the Company from the effective date of the acquisition or disposal. Accordingly, the track record period of the Group commences on 23rd July, 1999.

During the initial period of its operation, the Group focused mainly on the design and development of Intranet system and website development for the public sector and other business entities. Despite its then relatively short history, the Group obtained a contract from an authority in Hong Kong responsible for monetary and financial affairs for the implementation of an Intranet system in December 1997.

In October 1998, the Group developed and implemented its first e-Education platform, eCampus 1.0, a school Intranet system that supports internal school communications, resources sharing and information dissemination for an IT pilot school in Hong Kong.

1999

e-Business solutions

During the year, the Group completed 19 project-based Internet platform solutions. These projects included the portal development for Star East I.T. Management Limited which won the Creative Award of the eLeisure category in the eAward competition organised by the Hong Kong Productivity Council.

The Group commenced the development of portals for a number of business enterprises in 1999 including the Hong Kong Council of Social Services. Using its own “content management system” based on the Microsoft active server page, the Group also designed and developed an Internet platform and Intranet system for a corporation in the finance sector and a website for Hantec Holdings Limited in March 1999 and December 1999 respectively.

In late 1999, the Group applied an advanced Java technology (servlet version 2.0) and XML language to develop large scale portals such as hkevents.net and the e-library system of the Open University of Hong Kong Library. The Directors believe that the Group was one of the earliest movers to implement such technologies for portal development in Hong Kong.

e-Education solutions

During the year, the Group implemented its e-Education platform for 22 primary and secondary schools and other educational institutions in Hong Kong. During the period from 23rd July, 1999 to 31st December 1999, sales of e-Education were generated by Codebank IMA Limited. Since the acquisition of Codebank IMA Limited by the Company took place in January 2000, the audited accounts of the Company did not include the sales figure in the 1999 period.

In February 1999, the Group designed, developed and implemented the official website and information kiosk of the first Quality Education Fund Projects Expo 1999.

In April 1999, the Group, in collaboration with the Chinese University of Hong Kong, developed a Hong Kong-PRC online learning platform, “EduPark” to foster the sharing of educational resources among selected schools in Hong Kong and the PRC. “EduPark” is an Extranet model of eCampus that links together Shatin Government Secondary School, Shun Lee Catholic Secondary School, St. Stephen’s Girls College, Carmel Secondary School and 深圳外語中學 (Shenzhen Foreign Language School).

HISTORY AND DEVELOPMENT AND ACTIVE BUSINESS PURSUITS

In July 1999, the Group launched eCampus 2000 in Hong Kong. eCampus 2000 is a template-based system which supports resources sharing in an Intranet, Extranet and Internet environment.

2000

e-Business solutions

During the year, the Group completed 37 project-based e-Business solutions. It developed a B2B platform for Nike that supports exchange of information between Nike and its business partners. In 2000, the e-Business solution developed by the Group for hkevents.com Limited won the Platinum award of the eLeisure category in the eAward competition organised by the Hong Kong Productivity Council. The solution integrates a content management system with a complex, inter-related database architecture that provides access to information on shops, restaurants, parking areas, tourist attractions and cinemas in the vicinity of the event's venue and support for both B2B and B2C transactions.

The Group started to apply its project implementation experience to modulate products for general application and industry specific market. By the end of 2000, the Group had completed the development of two web-based products, including webproject and webbuilder, which were subsequently launched in the first quarter of 2001. Webproject is a web-based application designed for project management while webbuilder is designed to equip users with the necessary tools to build and maintain their own website.

e-Education solutions

The Group continued to leverage on its proprietary technology and industry knowhow to build up its profile in the e-Business solutions and e-Education solutions industry.

In January 2000, the Group co-operated with the Education Department of Hong Kong for the provision of personal web-based e-mail to schools in Hong Kong. Approximately 680 primary schools and secondary schools adopted the web-based e-mail services provided by the Group.

The year also marked the Group's entry into the PRC market. The Group's offices in the PRC were initially set up to develop and market the Group's e-Education solutions in the PRC as the Directors consider that there are tremendous business opportunities in the PRC given the official endorsement to implement IT in education. In November 2000, the Group established an office in Shanghai to develop and market the Group's e-Education solutions. The Group's office in Shanghai currently employs 7 staff.

In June 2000, the Group developed the "Technical Support Services" website for Compaq which was appointed by the Education Department of Hong Kong as one of the technical support services providers for schools in Hong Kong. In the same month, the e-library system redesigned jointly by the Group and an independent third party for the Open University of Hong Kong Library, received an international acclaim, "The Stockholm Challenge Award", a renowned award for pioneering IT projects worldwide.

In September 2000, Openday.com was officially launched.

The Group revamped the website of the Education Department of Hong Kong which was launched in December 2000.

HISTORY AND DEVELOPMENT AND ACTIVE BUSINESS PURSUITS

Multiple access platform

Since May 2000, the Group commenced the design, development and implementation of voice and wireless Internet enabling solutions, converging voice, wireless and Internet technologies. The first contract signed by the Group in relation to the multiple access platform was entered into between MAP and EDKO Films Limited in October 2000 in respect of the development of the MAP-Village for EDKO Films Limited. The Group completed the development of an application service platform, the MAP-Village, that offers multiple access channel for wireless and voice devices in October 2000.

In November 2000, an agreement was entered into between MAP and EDKO Films Limited for the development of the phone ticketing system. The WAP and PDA ticketing system developed for EDKO Films Limited was launched in December 2000. The basic version of the voice portal of MAP-Village was also launched in December 2000.

2001

e-Business solutions

During the period from 1st January, 2001 to the Latest Practicable Date, the Group completed 23 project-based e-Business solutions.

In February 2001, the Group commenced the development of webchannel which is designed to provide an online three-way communication channel between user companies and their buyers and suppliers to facilitate business operations and logistic management.

In May 2001, the Group completed the development of a web-based automated valuation system for an international firm of property valuers in Hong Kong.

In order to expand the distribution network for its e-Business products, the Group entered into a memorandum of understanding with a global leading computer and network products provider and an agreement with Diyixian respectively in February 2001 pursuant to which, the computer and network products provider agreed to undertake joint marketing promotions and Diyixian agreed to provide dedicated server hosting services for the Group's clients. It is expected that the Group will enter into a formal agreement with the computer and network products provider in the first quarter of 2002.

e-Education solutions

During the period from 1st January, 2001 to the Latest Practicable Date, the Group implemented 19 e-Education solutions in Hong Kong.

In January 2001, the Group appointed an independent exclusive distributor of its e-Education solutions in Hebei, the PRC, for a term of not less than five years.

In March 2001, the Group established an office in Beijing to market the Group's e-Education solutions.

In April 2001, the Group entered into a cooperative agreement with Great Wall, pursuant to which the Group was appointed by Great Wall as an exclusive supplier of e-Education platform and other e-Education solutions and related products in the PRC for a term of three years. Great Wall has entered into agreements with various PRC educational authorities to carry out the Great Wall Education Internet Project (長城網絡教育工程) under which e-Education solutions will be provided to primary and secondary schools in a number of cities in the PRC such as Chengdu city and Jiaozuo city.

To complement the launch of the OpenCampus in the PRC, in April 2001, the Group entered into an agreement with Aionnet and One Trend Net Holdings Limited pursuant to which Aionnet has agreed to procure network service provider(s) in the PRC to install and implement a private

HISTORY AND DEVELOPMENT AND ACTIVE BUSINESS PURSUITS

network system covering 53 cities in the PRC comprising the use of a broadband backbone network of a bandwidth of up to 465 Mbps. On 29th November, 2001, the Group entered into a deed with, among other parties, Aionnet, One Trend Net Holdings Limited and Gainson Limited to amend, inter alia, the term of the procurement of bandwidth from 20 years to 9 years and to reduce the bandwidth from 465 Mbps to 195 Mbps from the third year onwards. Under the new arrangement, the Group will continue to be able to install and implement an extensive private network platform covering 53 cities in the PRC through Aionnet's broadband procurement services.

Multiple access platform

The Group made significant developments with its multiple access platform in 2001 in respect of both product development and sales. The Group's revenue for its multiple access platform also increased significantly during 2001. The Group developed three multiple access platform solutions during the period from 1st January, 2001 to the Latest Practicable Date.

In February 2001, the Group entered into a Mobile Business Teaming Agreement with Compaq, an Independent Third Party, whereby the Group agreed to collaborate with Compaq in various mobile business opportunities in Hong Kong.

In June 2001, the Group entered into an agreement with eolasia.com Limited, a music entertainment company. Under the agreement, the Group agreed to provide technical support for the installation and implementation of software applications and system maintenance for the telephone network music station of eolasia.com Limited in Hong Kong. The Group has received revenue sharing income from the ring-tone downloads through this platform since August 2001. The Group, through the development of the telephone network music station, has connected with the short message service gateway of five major mobile carriers in Hong Kong.

ACTIVE BUSINESS PURSUITS

The following sets out a detailed description of the active business pursuits undertaken by the Group for the period from 23rd July, 1999 (being the date of incorporation of the Company) to 31st December, 1999, the period from 1st January, 2000 to 31st December, 2000, and the period from 1st January, 2001 to the Latest Practicable Date.

Period I – Period from 23rd July, 1999 to 31st December, 1999

Turnover

For the period from 23rd July, 1999 to 31st December, 1999, the total turnover of the Group was approximately HK\$1.38 million, all of which was derived from the provision of e-Business solutions.

Key projects and product development

e-Education

- established an Extranet system "EduPark" for the Chinese University of Hong Kong Library, used as a communication tool and resources sharing, linking together Shatin Government Secondary School, Shun Lee Catholic Secondary School, St. Stephen's Girls College, Carmel Secondary School and 深圳外語中學 (Shenzhen Foreign Language School)
- re-designed the e-library system for the Open University of Hong Kong Library jointly by the Group with an Independent Third Party in September 1999
- designed and developed e-Education solutions for 22 primary schools, secondary schools and other educational institutions in Hong Kong

HISTORY AND DEVELOPMENT AND ACTIVE BUSINESS PURSUITS

e-Business solutions

Client name	Date of commencement of the project	Project description/ features
Star East I.T. Management Limited	October 1999	developed a portal, www.stareastnet.com which was the winner of the Creative award of the eLeisure category in the eAward competition organised by the Hong Kong Productivity Council
hkevents.com Limited	November 1999	develop the website, www.hkevents.net , using the Java technology (servlet version 2.0)
Hantec Holdings Limited	December 1999	designed and developed the website, www.hantec.com.hk , using the Group's own "content management system"

Sales and marketing

- sponsored Hong Kong Council of Social Service in March 1999 for the development of its website, employnet.socialnet.org.hk
- focused on direct sales and channel sales
- participated in the Innovation 2000 Expo in November 1999 to promote the Group's e-Business solutions
- sponsored the first Quality Education Fund Projects Expo 1999 for the design, development and implementation of its official website and information kiosk

Deployment of human resources

The Group employed a total of 32 full time employees, classified as follows:

	Hong Kong
Management	4
Research and product development	25
Sales and marketing	1
Finance and administration	2
	<hr/>
Total	32
	<hr/> <hr/>

HISTORY AND DEVELOPMENT AND ACTIVE BUSINESS PURSUITS

Period II – Period from 1st January, 2000 to 31st December, 2000

Turnover

For the year ended 31st December, 2000, the total turnover of the Group was approximately HK\$8.97 million, of which approximately HK\$2.15 million, representing approximately 23.91% of the total turnover of the Group was derived from the e-Education solutions, approximately HK\$6.03 million, representing approximately 67.26% of the total turnover of the Group was derived from the provision of e-Business solutions, and approximately HK\$0.79 million, representing approximately 8.83% of the total turnover of the Group was derived from the provision of multiple access platform.

Key projects and product development

e-Education

- cooperated with the Education Department of Hong Kong in January 2000 for the provision of the personalised web-based e-mail system to approximately 680 schools in Hong Kong
- officially launched the eCampus Library system in March 2000
- the e-library system of the Open University of Hong Kong Library was awarded “The Stockholm Challenge Award” in the Education category, a renowned award for pioneering IT projects worldwide, in June 2000
- designed the website for Compaq’s “Technical Support Services”, a project aimed to enhance efficiency in IT educational developments in Hong Kong to render technical support to schools
- revamped the official website of the Education Department of Hong Kong which was launched in December 2000
- launched Openday.com, a bilingual teaching and learning enabling platform of the Group, in September 2000
- entered into agreements with 哈爾濱工業大學威海分校 (Weihai Campus of Harbin Institute of Technology) pursuant to which the Group commenced the implementation of a distance learning platform for Harbin Institute of Technology connecting one main teaching school and four branch schools in the Shandong province, the PRC
- COL offered a one-stop e-mail service to eCampus users in October 2000.

HISTORY AND DEVELOPMENT AND ACTIVE BUSINESS PURSUITS

e-Business solutions

Client name	Date of commencement of the project	Project description/ features
Commerce and Industry Bureau	May 2000	developed the website, www.info.gov.hk/cib
Breakthrough Organisation	May 2000	designed and developed the website, www.uzone21.com
ExpertHUB Limited	June 2000	designed and developed an Internet platform and the company's website
Adforce Asia Limited	July 2000	developed the website, www.adforce-asia.com
Lane Crawford	July 2000	developed a portal and e-commerce platform which was integrated with a shopping engine using FLASH, the website, www.lanecrawford.com and the web-based movie advertisement
SFC	September 2000	developed the website, www.hksfc.org.hk
Lee Kum Kee	October 2000	revamped the client's existing website, www.lkk.com
Jones Lang LaSalle	October 2000	developed a web-based automatic valuation system which was a B2B portal
Nike	November 2000	developed a B2B platform on Nike's existing website, which facilitated exchange of information between Nike and its business partners
an authority in Hong Kong responsible for monetary and financial affairs	November 2000	developed a multiactive training solution

Multiple access platform

- commenced the design, development and implementation of voice and wireless Internet enabling solutions converging voice, wireless and Internet technologies since May 2000
- completed the first prototype of multiple access platform in October 2000 and continued to modify the prototype to meet the client's requirements
- developed the unified messaging system in October 2000
- developed the real-time grabbing and transcoding engine in October 2000
- launched the basic version of the voice portal platform of MAP-Village in December 2000

HISTORY AND DEVELOPMENT AND ACTIVE BUSINESS PURSUITS

Sales and marketing

- sponsored the following functions during the year ended 31st December, 2000:

Date and location	Name of exhibition/seminar
July 2000, Hong Kong	Hong Kong Special Administrative Region (HKSAR) Outstanding Students Selection 2000
October 2000, Hong Kong	43rd Jamboree-On-The-Air cum 4th Jamboree-On-The-Internet

- sponsored and participated in the following exhibitions and seminars during the year ended 31st December, 2000:

March 2000, Hong Kong	Information and Infrastructure Expo & Conference 2000
March 2000, Hong Kong	Libraries for the New Millennium Exhibition
April 2000, Hong Kong	The Second Quality Education Fund Projects Expo 2000
May 2000, Hong Kong	The 16th International Computer Expo

- participated in the following exhibitions and seminars during the year ended 31st December, 2000:

April 2000, Beijing, the PRC	China Education and Research Conference 2000
July 2000, Hong Kong	Internet Commerce Expo (ICE) and Conference
August 2000, Shenzhen, the PRC	International Websites Expo
October 2000, Dalian, the PRC	The Equipment and Facilities Trade Show for High School in Autumn 2000
November 2000, Hong Kong	Millennium IT in Education Exhibition (千禧資訊科技教育展)
November 2000, Hong Kong	Internet World Asia @ Hong Kong Expo 2000

- organised and participated in a seminar on school-based Internet platforms in Hong Kong in June 2000

Alliances and collaborations

- appointed by Compaq to launch www.tss4hkschools.com, the technical support services website in June 2000
- entered into an agreement with 哈爾濱工業大學威海分校 (Weihai Campus of Harbin Institute of Technology) in the PRC on 26th September 2000 pursuant to which the Group will be responsible for implementing a distance learning platform. Pursuant to the agreement, the Group had agreed to provide distance learning platform and related software products to 哈爾濱工業大學威海分校 (Weihai Campus of Harbin Institute of Technology) for its use.
- entered into an agreement with Nuance on 15th September 2000 whereby the Group has been granted a non-exclusive license to apply certain of Nuance's softwares in respect of speech recognition and the documentation pertaining to the use of the softwares. Pursuant to the agreement, the Group is required to pay software license fees, technical support fees and professional services fees to Nuance as and when services are provided to the Group.

HISTORY AND DEVELOPMENT AND ACTIVE BUSINESS PURSUITS

Deployment of human resources

The Group employed a total of 82 full time employees, classified as follows:

	Hong Kong	PRC
Management	4	2
Research and product development	50	8
Sales and marketing	8	3
Finance and administration	5	2
	<hr/>	<hr/>
Total	<u>67</u>	<u>15</u>

Period III – 1st January, 2001 to the Latest Practicable Date

Turnover

From 1st January, 2001 to 30th September, 2001, the total turnover of the Group was approximately HK\$8.16 million, of which HK\$1.15 million, representing approximately 14.13% of the total turnover of the Group was derived from the e-Education business, approximately HK\$3.55 million, representing approximately 43.49% of the total turnover of the Group was derived from the provision of e-Business solutions, and approximately HK\$3.46 million, representing approximately 42.38% of the total turnover of the Group was derived from the provision of multiple access platform.

Key projects and product achievements

e-Education

- developed a website on the Openday.com for The Chinese University of Hong Kong School Heads Alumni Association.
- commenced the development of a distance learning platform for the Weihai Campus of Harbin Institute of Technology in the PRC connecting one main teaching school and four branch schools in the Shandong province, the PRC.

e-Business solutions

Client name	Date of commencement of the project	Project description/ features
IDT	March 2001	designed and developed a multi-language Internet platform which includes product catalogue, customer support and survey functions and a discussion form, integrated with a content management system which allows IDT to update its own content
Commerce & Industry Bureau	May 2001	revamped the website, www.info.gov.hk/cib (English and Chinese version)
China World Trade Corporation	October 2001	commenced the development of a B2B portal site which will include an online trading platform, a search engine and an investment corner containing information on companies which enable such companies to update their own profile and content on the portal

HISTORY AND DEVELOPMENT AND ACTIVE BUSINESS PURSUITS

Multiple access platform

- developed the phone ticketing system
- developed a telephone network music station
- developed payment gateway solutions

Sales and marketing

- participated in the following exhibitions for the period from 1st January, 2001 to the Latest Practicable Date:

Date and location	Name of exhibition/seminar
January 2001, Hong Kong	iDEA Expo 2001
March 2001, Hong Kong	Compaq mCommerce Solutions Centre launch event

Alliances

- entered into an agreement (“Procurement Agreement”) on 11th April 2001 with Aionnet and One Trend Net Holdings Limited, pursuant to which Aionnet has agreed to procure network service provider(s) in the PRC to install and implement a private network system covering 53 cities in the PRC using a broadband backbone network of a bandwidth of up to 465 Mbps for a period of 20 years, commencing from 11th April, 2001.
- entered into a deed with, among other parties, Aionnet, One Trend Net Holdings Limited and Gainson Limited on 29th November 2001 to amend, inter alia, the term of the procurement of bandwidth from 20 years to 9 years commencing from 11th April, 2001 and to reduce the bandwidth from 465 Mbps to 195 Mbps from the third year onwards under the Procurement Agreement. Under the new arrangement, an extensive private network platform covering 53 cities in the PRC will still be made available to the Group through Aionnet’s broadband procurement services. The Group has not yet utilised the broadband procurement services at the present stage.
- entered into a “Mobile Business Teaming Agreement” with Compaq, an Independent Third Party, in February 2001 whereby the Group agreed to collaborate with Compaq in various mobile business opportunities in Hong Kong. Pursuant to the agreement, the Group has also agreed to make its application software available at Compaq hardware platforms and to assist it in the promotion of Compaq hardware.
- entered into an agreement with eolasia.com Limited, an Independent Third Party, on 28th June 2001, pursuant to which the Group has agreed to grant a non-exclusive and non-transferable licence for the use of the Group’s software to eolasia.com Limited for the provision of multiple access telephone service providing various music related functions to web surfers, PDA users, mobile phone and fixed phone users in Hong Kong and other territories notified by eolasia.com Limited. The Group is entitled to the gross revenue of eolasia.com Limited derived from the use of the software by its customer.
- entered into a co-operative agreement with Great Wall on 20th April, 2000, whereby the Group was appointed by Great Wall as an exclusive supplier of e-Education platform and other e-Education solutions and related products in the PRC for a term of three years. Great

HISTORY AND DEVELOPMENT AND ACTIVE BUSINESS PURSUITS

Wall has entered into agreements with various PRC educational authorities to carry out the Great Wall Education Network Project (長城網絡教育工程) under which e-Education solutions will be provided to primary and secondary schools in a number of cities in the PRC such as Chengdu city and Jiaozuo city.

- entered into a memorandum of understanding on 23rd February, 2001 with IBM and an agreement with Diyixian on 22nd February, 2001 respectively, both being Independent Third Parties, in February 2001 pursuant to which a global leading computer and network products provider has agreed to provide the Group with at least one free seminar slot in the customer centre of the computer and network products provider and web selling facilities to promote the Group's solutions at the website of the computer and network products provider. The Group is required to organise at least one seminar in 2001 and bundle offer with hardware products of the computer and network products provider. Pursuant to the agreement. Diyixian has agreed to provide dedicated server hosting services to the Group's clients.

Deployment of human resources

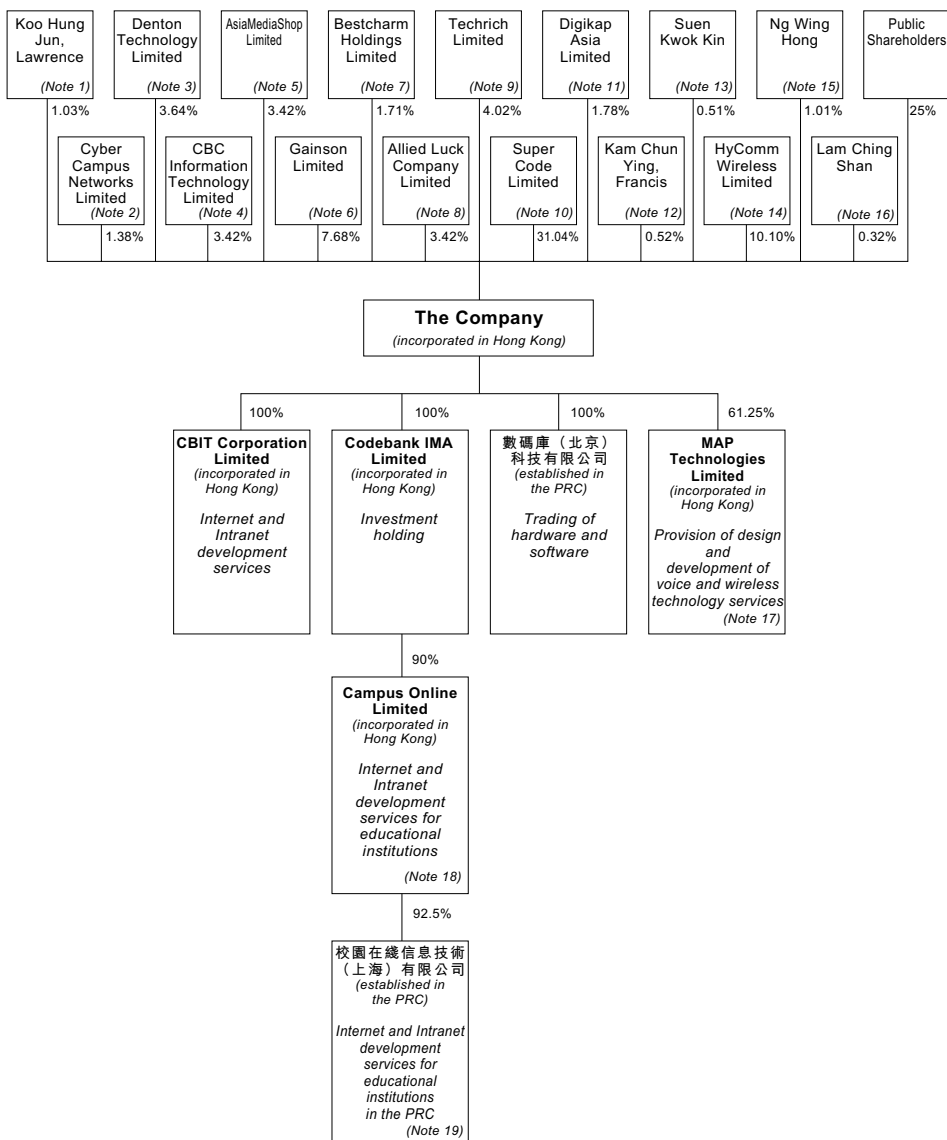
The Group employed a total of 44 full time employees, classified as follows:

	Hong Kong	PRC
Management	5	2
Research and product development	18	6
Sales and marketing	1	2
Finance and administration	5	5
	<hr/>	<hr/>
Total	29	15

GROUP AND ORGANISATION STRUCTURE

The Company was established on 23rd July, 1999.

The following chart illustrates the corporate structure of the Group immediately following completion of the Placing and the Capitalisation Issue (assuming the Over-allotment Option and the options granted or to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme are not exercised) and the principal business activities of the members of the Group:



Notes:

- On 19th July, 2001, Mr. Koo Hung Jun, Lawrence, acquired 58,160 Shares from Denton Technology Limited for cash in consideration of HK\$1,250,000 for investment purposes. Mr. Koo Hung Jun, Lawrence is an investment banker and an Independent Third Party who does not have any management role in the Group.
- Cyber Campus Networks Limited, a company owned as to 50% by Mr. Ng Hoi Kam, as to 12.5% by Mr. Li Chun Wan and as to 37.5% by Ms. Lam Ching Shan, was allotted and issued 78,009 Shares on 17th July, 2001 as part consideration for its transfer of 5,000,000 shares in COL to the Company. Cyber Campus Networks Limited is an investment holding company. Both Mr. Ng Hoi Kam and Mr. Li Chun Wan are Independent Third Parties who do not have any management role in the Group. Ms. Lam Ching Shan is a member of senior management of the Group and is also an Initial Management Shareholder.

GROUP AND ORGANISATION STRUCTURE

3. On 16th March, 2001, Denton Technology Limited acquired 263,409 Class A shares of HK\$0.10 each in the Company from Mr. Yu Hang Chung, Herman for cash at a consideration of HK\$7,500,000 for investment purposes. Denton Technology Limited is an investment holding company. The entire issued share capital of Denton Technology Limited is owned by Mr. Fung Wai, an Independent Third Party who does not have any management role in the Group.
4. CBC Information Technology Limited subscribed for 193,072 Class A shares of HK\$0.10 each in the Company, for investment purpose, for cash at a consideration of HK\$6,500,000 and such shares were allotted and issued to CBC Information Technology Limited on 1st March, 2001. CBC Information Technology Limited is an investment holding company. CBC Information Technology Limited is owned as to 40% by Mr. Chan Wing Nga and as to 60% by Techbase Investment Limited, a company wholly owned by Mr. Tsang Cheuk Lau, all being Independent Third Parties and none of which has any management role in the Group.
5. AsiaMediaShop Limited subscribed for 193,072 Class A shares of HK\$0.10 each in the Company, for investment purpose, for cash at a consideration of HK\$6,500,000 and such shares were allotted and issued to AsiaMediaShop Limited on 28th February, 2001. Asia MediaShop Limited is an investment holding company. The entire issued share capital of AsiaMediaShop Limited is owned by Mr. Tang Chi Wang, Marco, an Independent Third Party who does not have any management role in the Group.
6. Gainson Limited acquired 433,383 Shares from One Trend Net Holdings Limited on 29th November, 2001. Gainson Limited acquired 433,383 Shares from One Trend Net Holdings Limited at a consideration of HK\$43,338.30 on 30th November, 2001, which together with an additional consideration of HK\$22,956,661.70 payable on the day after all the conditions for the listing of the Company have been satisfied (which is expected to be on 21st December, 2001), amounts to an aggregate consideration of HK\$23,000,000. Gainson Limited is an investment holding company, the entire issued share capital of which is held directly by Mr. Fung Wing Cheung, Tony, an Independent Third Party.
7. Bestcharm Holdings Limited subscribed for 81,498 Class A shares of HK\$0.10 each in the Company, for investment purpose, for cash at a consideration of HK\$3,250,000 and such shares were allotted and issued to Bestcharm Holdings Limited on 5th January, 2001. Bestcharm Holdings Limited is an investment holding company. The entire issued share capital of Bestcharm Holdings Limited is owned as to 50% by Ms. Lam Sze Chau and as to 50% by Mr. Chiu Ping Chau, both being Independent Third Parties and none of which has any management role in the Group. Mr. Lam Sze Chau is the sole beneficial owner of CBH Limited, which holds 7.5% interest in Campus Online Shanghai, a subsidiary of the Company. On 28th February, 2001, a further 15,038 Class A shares of HK\$0.10 each in the Company were allotted and issued to Bestcharm Holdings Limited credited as fully paid so as to maintain its then existing shareholding interest in the Company at 2.475% on a fully diluted basis.
8. Allied Luck Company Limited subscribed for 162,995 Class A shares of HK\$0.10 each in the Company, for investment purpose, for cash at a consideration of HK\$6,500,000 and such shares were allotted and issued to Allied Luck Company Limited on 22nd December, 2000. Allied Luck Company Limited is an investment holding company. The entire issued share capital of Allied Luck Company Limited is owned as to 50% by Mr. Li Ting Wa and as to 50% by Mr. Lee Ting Wah, both being Independent Third Parties and none of which has any management role in the Group. On 28th February, 2001, a further 30,077 Class A shares of HK\$0.10 each in the Company were allotted and issued to Allied Luck Company Limited credited as fully paid so as to maintain its then shareholding interest in the Company at 4.95% on a fully diluted basis.
9. Techrich Limited acquired 50,000 Class A shares of HK\$1.00 each in the Company from Mr. Yu Hang Chung, Herman for cash at par on 25th February, 2000 for investment purposes. Techrich Limited is an investment holding company. The entire issued share capital of Techrich Limited is owned as to 80% by Ms. Leung Marsar, as to 19.98% by Ms. Choong Florence Mei Fong and as to 0.02% by Mr. Joseph Doo, all being Independent Third Parties and none of which has any management role in the Group. On 8th June, 2000 and 7th September, 2000 respectively, 22,500 and 23,612 Class A shares of HK\$0.10 each in the Company were transferred by Techrich Limited to HyComm. On 26th March, 2001, 226,944 Class A shares of HK\$0.10 each in the Company were transferred by Techrich Limited to Mr. Yu Hang Chung, Herman for cash at a consideration of HK\$300,000.

GROUP AND ORGANISATION STRUCTURE

10. On 21st July, 2001, Super Code Limited acquired 1,533,698, 84,510, 164,634, 82,316, 176,270 and 52,470 Shares from Mr. Yu Hang Chung, Herman, Mr. Kam Chun Ying, Francis, Mr. Ng Wing Hong, Mr. Suen Kwok Kin, Digikap Asia Limited and Ms. Lam Ching Shan respectively in consideration for the allotment and issue of 7,325, 404, 786, 393, 842 and 250 shares in Super Code Limited to such parties respectively. On 31st July, 2001, Super Code Limited acquired 11,792, 22,972, 11,486, 24,596 and 7,321 Shares from Mr. Kam Chun Ying, Francis, Mr. Ng Wing Hong, Mr. Suen Kwok Kin, Digikap Asia Limited and Ms. Lam Ching Shan respectively in consideration for the allotment and issue of 26, 50, 25, 54, 16 shares in Super Code Limited to such parties respectively credited as fully paid.

Super Code Limited is an investment holding company held as to 7,325, 836, 430, 418, 266 and 896 shares by Mr. Yu Hang Chung, Herman, Mr. Ng Wing Hong, Mr. Kam Chun Ying, Francis, Mr. Suen Kwok Kin, Ms. Lam Ching Shan and Digikap Asia Limited respectively. Such shares represent approximately 72.02%, 8.22%, 4.23%, 4.11%, 2.61% and 8.81% of the entire issued share capital of Super Code Limited held by each of them respectively. Mr. Yu Hang Chung, Herman, Mr. Kam Chung Ying, Francis and Mr. Suen Kwok Kin are executive Directors. Mr. Ng Wing Hong and Ms. Lam Ching Shan are members of the senior management of the Group. Digikap Asia Limited is a company wholly owned by Mr. Cheng Yu Hong, an executive Director.

11. On 17th January, 2001, 262,067 Class A shares of HK\$0.10 each in the Company were allotted and issued to Digikap Asia Limited deemed fully paid in return for consultancy services provided by Digikap Asia Limited to the Group. Digikap Asia Limited subscribed for 39,005 Class A shares of HK\$0.10 each in the Company for a consideration HK\$1,000,000 on 1st March, 2001. On 21st July, 2001, Digikap Asia Limited transferred 176,270 Shares to Super Code Limited in consideration of the allotment and issue of 842 shares in Super Code Limited to Digikap Asia Limited credited as fully paid. On 31st July, 2001, Digikap Asia Limited transferred 24,596 Shares to Super Code Limited in consideration of the allotment and issue of 54 shares in Super Code Limited to Digikap Asia Limited credited as fully paid. Digikap Asia Limited is engaged in the provision of consultancy services and is a company wholly owned by Mr. Cheng Yu Hong, an executive Director.
12. Mr. Kam Chun Ying, Francis, an executive Director, acquired 12,500 Class A shares of HK\$1.00 each in the Company on 9th September, 1999 for cash at par from Mr. Yu Hang Chung, Herman. On 8th June, 2000 and 7th September, 2000 respectively, Mr. Kam Chun Ying, Francis transferred 5,625 and 5,904 Class A shares of HK\$0.10 in the Company to HyComm. On 19th July, 2001, 12,174 Shares were allotted and issued to Mr. Kam Chun Ying, Francis credited as fully paid as consideration for the capitalisation of a shareholders' loan provided by Mr. Kam Chun Ying, Francis to the Company in the amount of HK\$340,156.10. On 21st July, 2001, Mr. Kam Chun Ying, Francis transferred 84,510 Shares to Super Code Limited in consideration of the allotment and issue of 404 shares in Super Code Limited to Mr. Kam Chun Ying, Francis credited as fully paid. On 31st July, 2001, Mr. Kam Chun Ying, Francis transferred 11,792 Shares to Super Code Limited in consideration of the allotment and issue of 26 shares in Super Code Limited to Mr. Kam Chun Ying, Francis credited as fully paid.
13. Mr. Suen Kwok Kin, an executive Director, acquired 12,500 Class A shares of HK\$1.00 each in the Company for cash at par from Mr. Yu Hang Chung, Herman on 25th February, 2000. On 8th June, 2000 and 7th September, 2000 respectively, Mr. Suen Kwok Kin transferred 5,625 and 5,904 Class A shares of HK\$0.10 each in the Company to HyComm. On 19th July, 2001, 8,912 Shares were allotted and issued to Mr. Suen Kwok Kin credited as fully paid as consideration for the capitalisation of a shareholder's loan provided by Mr. Suen Kwok Kin to the Company in the amount of HK\$249,000. On 21st July, 2001, Mr. Suen Kwok Kin transferred 82,316 Shares to Super Code Limited in consideration of the allotment and issue of 393 shares in Super Code Limited to Mr. Suen Kwok Kin credited as fully paid. On 31st July, 2001, Mr. Suen Kwok Kin transferred 11,486 Shares to Super Code Limited in consideration of the allotment and issue of 25 shares in Super Code Limited to Mr. Suen Kwok Kin credited as fully paid.

GROUP AND ORGANISATION STRUCTURE

14. HyComm acquired 67,500, 5,625, 11,250, 5,625 and 22,500 Class A shares of \$0.10 each in the Company from Mr. Yu Hang Chung, Herman, Mr. Kam Chun Ying, Francis, Mr. Ng Wing Hong, Mr. Suen Kwok Kin and Techrich Limited respectively in consideration of the allotment and issue of 15,325,000 shares in HyComm at HK\$2.50 per share credited as fully paid on 8th June, 2000. On 8th June, 2000, HyComm subscribed for 123,626 Class A shares of HK\$0.10 each in the Company in consideration of the allotment and issue of 15,325,000 shares in HyComm at HK\$2.50 per share to the Company, credited as fully paid. On 7th September, 2000, HyComm acquired 70,837, 5,904, 11,806, 5,904 and 23,612 Class A shares of HK\$0.10 each in the Company from Mr. Yu Hang Chung, Herman, Mr. Kam Chun Ying, Francis, Mr. Ng Wing Hong, Mr. Suen Kwok Kin and Techrich Limited respectively in consideration of the allotment and issue of 15,325,000 shares in HyComm at HK\$2.50 per share credited as fully paid. On 7th September, 2000, HyComm subscribed for 143,980 Class A shares of HK\$0.10 each in the Company in consideration of the allotment and issue of 15,325,000 shares in HyComm at HK\$2.50 per share credited as fully paid. On 19th July, 2001, 71,582 Shares were allotted and issued to HyComm credited as fully paid as consideration for the capitalisation of a shareholders' loan provided by HyComm to the Company in the amount of HK\$2,000,000. HyComm has one representative who will be a non-executive Director on or before the Listing Date.
15. On 25th February, 2000, Mr. Ng Wing Hong, a member of the senior management of the Group, acquired 25,000 Class A shares of HK\$1.00 each in the Company from Mr. Yu Hang Chung, Herman for cash at par. On 8th June, 2000 and 7th September, 2000 respectively, 11,250 and 11,806 Class A shares of HK\$0.10 each in the Company were transferred to HyComm. On 19th July, 2001, 17,824 Shares were allotted and issued to Mr. Ng Wing Hong deemed fully paid as consideration for the capitalisation of a shareholders' loan provided by Mr. Ng Wing Hong to the Company in the amount of HK\$498,000. On 21st July, 2001, Mr. Ng Wing Hong transferred 164,634 Shares to Super Code Limited in consideration of the allotment and issue of 786 shares in Super Code Limited to Mr. Ng Wing Hong credited as fully paid. On 31st July, 2001, Mr. Ng Wing Hong transferred 22,972 Shares to Super Code Limited in consideration of the allotment and issue of 50 shares in Super Code Limited to Mr. Ng Wing Hong credited as fully paid.
16. Ms. Lam Ching Shan, a member of the senior management of the Group, subscribed for 78,009 Shares at par for cash on 9th July, 2001. On 21st July, 2001, 52,470 Shares were transferred to Super Code Limited in consideration of the allotment and issue of 250 shares in Super Code Limited to Ms. Lam Ching Shan deemed fully paid. On 31st July, 2001, Ms. Lam Ching Shan transferred 7,321 Shares to Super Code Limited in consideration of the allotment and issue of 16 shares in Super Code Limited to Ms. Lam Ching Shan credited as fully paid.
17. MAP is held as to 61.25% by the Company, as to 12.5% by HTC Partners, L. P., an Independent Third Party, and as to 26.25% by iAssociates Limited. iAssociates Limited is beneficially held as to 33.33% by Mr. Lo Hoi Keung, as to 33.33% by Mr. Chan Kwok Wai Andrew and 33.33% by Mr. So Wan, a business consultant of the Group. Mr. Lo Hoi Keung and Mr. Chan Kwok Wai Andrew are members of the senior management of the Group.
18. COL is held as to 90% by the Company and as to 10% by Cyber Campus Networks Limited, which is beneficially owned as to 50% by Mr. Ng Hoi Kam, as to 37.5% by Ms. Lam Ching Shan and as to 12.5% by Mr. Li Chun Wan. Cyber Campus Networks Limited and Ms. Lam Ching Shan are Initial Management Shareholders.
19. Campus Online Shanghai is held as to 92.5% by COL, a subsidiary of the Company, and as to 7.5% by CBH Limited, which is beneficially owned by Mr. Lam Sze Chau, a business consultant of the Group, who is beneficially interested in 50% of the issued share capital of Bestcharm Holdings Limited.

BUSINESS

DESCRIPTION OF BUSINESS

Introduction

The Directors believe that the Group is one of the leading Internet technology and platform providers in Hong Kong. The core business of the Group is the provision of Internet platform and enabling technologies. The Group is principally engaged in the design, development and implementation of Internet solutions to enable business entities, institutions and organisations to integrate Internet technologies in their daily operations. The Group develops and implements enabling technologies and products with a focus on three areas, namely, e-Education solutions, e-Business solutions and multiple access platform.

Set out below is the breakdown of the Group's turnover by business activities for the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001:

	Period from 23rd July, 1999 to 31st December, 1999 <i>HK\$'000</i>	Year ended 31st December, 2000 <i>HK\$'000</i>	Nine months ended 30th September, 2001 <i>HK\$'000</i>
e-Education solutions	–	2,144	1,153
e-Business solutions	1,375	6,031	3,550
Multiple access platform	–	792	3,459
Total:	<u>1,375</u>	<u>8,967</u>	<u>8,162</u>

For the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001, the Group's five largest customers in aggregate accounted for approximately 100.00%, 52.00% and 60.45% respectively of the total turnover of the Group. For the same period, turnover attributable to the largest customer accounted for approximately 70.92%, 17.28% and 24.50% respectively of the total turnover of the Group.

For the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001, the Group's five largest suppliers in aggregate accounted for approximately nil, 27.49% and 33.01% respectively of the total turnover of the Group. For the same period, purchases from the Group's largest supplier accounted for approximately nil, 8.14% and 13.15% respectively of the total cost of sales of the Group.

e-Education solutions

Pioneering status in Hong Kong

The Group is one of the pioneers in the development and provision of e-Education solutions, including e-Education platform and e-Education related e-mail services in Hong Kong. The Group's product development focus in e-Education is to implement advanced technologies and products to bring about interactive learning and effective administration in school education. Its e-Education platform can broadly be categorised into (i) the ASP model, where the server and database of a school are hosted in a data hosting centre, an Independent Third Party designated by the Group; and (ii) the school-based model, where the database of a school is hosted in the local server installed at the school. The Group developed and implemented its first e-Education platform in October 1998. There are about 780 primary schools, secondary schools and other education institutions using the Group's e-Education solutions in Hong Kong.

BUSINESS

The Group launched its first e-Education solution, eCampus, which the Directors believe is also one of the first of its kind to be marketed in Hong Kong in 1998. eCampus (1998 version) is a school-based e-Education platform which supports communication, resources sharing and information dissemination in an Intranet and Internet environment designed for schools. The configuration of the eCampus platform allows efficient data input, editing, management, dissemination, storage and retrieval.

The e-library system redesigned jointly by the Group with an Independent Third Party for the Open University of Hong Kong Library received an international acclaim, “The Stockholm Challenge Award”, a renowned award for pioneering IT projects worldwide in year 2000. Leveraging on the experience and expertise built up in the development of the e-library system for the Open University of Hong Kong Library, the Group developed the eCampus Library, a web-based platform integrated with powerful bilingual search engines which support search by titles, bibliographical details and full-text in both English and Chinese languages and is designed to provide enhanced library services and resources sharing among higher education institutions in Hong Kong and overseas. The system allows real-time Internet access to the school library and supports a broad range of library administrative functions such as online reservation, user administration and library resources categorisation. In April 2001, the Group was commissioned by the University of Hong Kong Libraries to revamp its existing electronic library system.

The Group also provides other professional services including distance learning solutions and project consultation for schools and other educational institutions. The distance learning solutions include the development of the platform which supports distance learning, such as the one developed for the Harbin Institute of Technology, Weihai Campus which connects one main teaching school and four branch schools in Shandong province, the PRC. The project consultancy services include, among others, the design and reconfiguration of websites for schools and education institutes, such as the website for Compaq’s “Technical Support Services” and the revamping of the website for the Education Department of Hong Kong.

e-Education solutions for the PRC market

Leveraging on the Group’s proprietary technology in the implementation of eCampus, the Group is currently developing OpenCampus, a cross-platform system. OpenCampus is an ASP-based school Intranet platform that supports various features of information management, communication, resources sharing and school administration functions.

In April 2000, the Group entered into a co-operative agreement with Great Wall pursuant to which the Group was appointed by Great Wall as an exclusive supplier of e-Education platform and other e-Education solutions and related products in the PRC for a term of three years. Great Wall has entered into agreements with various PRC educational authorities to carry out the Great Wall Education Network Project (長城網絡教育工程) under which e-Education solutions will be provided to primary and secondary schools in a number of cities in the PRC such as Chengdu city and Jiaozuo city. The Group has also entered into a cooperative contract with 重慶市渝北區電化教育中心 (Chongqing Yubei District Electronic Education Centre) to provide e-Education solutions to primary and secondary schools in the Yubei district in Chongqing. The Directors believe that the cooperation with the PRC-based hardware vendors, distributors and education authorities in various regions in the PRC will facilitate the implementation of OpenCampus and other e-Education solutions of the Group in the PRC and increase the Group’s competitive edge in the PRC market for e-Education.

Openday.com – the e-Education portal

Openday.com is an ambitious project conceived by the Group to create a massive education hub by capturing the perceived exponential growth in e-learning. The Openday.com platform, launched in September 2000, provides users with educational content on a broad range of disciplines

and curriculums from content providers such as publishers, courseware providers and Internet educational content providers. It is also integrated with tools for users to create educational websites and powerful search engines that facilitate the search of other education resources. The Group intends to leverage on the market penetration of its eCampus and OpenCampus solutions to build up a substantial user base for Openday.com. Openday.com and the Group's e-Education platforms are independent platforms but will be interlinked with Openday.com serving as a gateway to these e-Education platforms. The Directors plan to introduce Openday.com as value-added services to the users of the Group's e-Education solutions. The Directors expect that the accumulation of a significant user base for Openday.com will create potential e-Commerce business opportunities for the Group.

Revenue basis

For the period from 23rd July, 1999 to 31st December, 1999, no revenue was recorded for the Group's e-Education solutions. For the year ended 31st December, 2000 and the nine months ended 30th September, 2001, approximately HK\$2.15 million and HK\$1.15 million, representing approximately 23.91% and 14.13%, respectively of the revenue of the Group, were attributable to the sales of e-Education solutions. For the same period, gross profit of the Group, attributable to its e-Education solutions amounted to approximately HK\$1.44 million and HK\$0.27 million respectively. The Directors anticipate that with the implementation of its OpenCampus and other new e-Education solutions, the Group will receive a greater proportion of recurring revenue in the form of platform leasing, maintenance fees and content licensing.

e-Business solutions

Introduction

The e-Business solutions arm of the Group specialises in the development and implementation of solutions and products to enable its clients to revolutionise their business operations using Internet enabling technologies. The Group commenced the development of its e-Business solutions in April 1997. It is one of the leading e-Business solutions providers in Hong Kong and has implemented many tailor-made solutions in Hong Kong by applying various Internet enabling technologies. Its clients include governmental departments, statutory bodies, business organisations and entities in different industries including finance, property valuation, retail, manufacturing, entertainment and information technology.

e-Business integration and professional services

The Group provides e-Business integration and other related professional services. The Directors believe that the Group is one of the pioneers in Hong Kong in applying Java and other technologies in developing user interface and applications for all kinds of Internet based system. The Group builds on its expertise in e-Business system design to implement solutions addressing all elements of e-Commerce such as B2B and B2C to facilitate the handling of business operations such as sales transaction, order processing and transaction settlement through the Internet. The Group's e-Business solutions support applications on the Internet and Intranet.

In 2000, the e-Business solution developed by the Group for hkevents.net Limited won the Platinum award of the eLeisure category in the eAward competition organised by the Hong Kong Productivity Council. The solution integrates a content management system with a complex, inter-related database architecture that provides access to information on shops, restaurants, parking areas, tourist attractions and cinemas in the vicinity of the event's venue and support for both B2B and B2C transactions.

The Group also provides professional and consultancy services to clients on e-Business development system architecture design, project implementation and technological integration with core business practices.

BUSINESS

e-Business products

The Group applies its technological knowhow and cross industry expertise in project implementation to modulate off-the-shelf products for general application and industry specific markets. The Directors believe that the Group is one of the few e-Business solutions providers in Hong Kong that possesses such product development capability. The Group has developed three e-Business products, namely, webproject, webbuilder and webchannel, targeted mainly at corporate entities and professional firms.

Webproject is a web-based application designed for project management with reference to the project management standards prescribed by PMI. Webproject version 1.0 was launched in March 2001 and provides tools for users to create their project system and manage the timeline and status of the tasks assigned for each project through the Internet in a user friendly and efficient manner. The product is targeted at corporate entities and professional firms.

Webbuilder was modulated from the Internet system development projects implemented by the Group for numerous clients, including the Hong Kong Council of Social Services, Lane Crawford and Lee Kum Kee. Webbuilder is designed to equip users with the necessary tools to build and maintain their own website with features such as password-protected content, administration functions, product catalogue and enquiry and online approval system. Webbuilder version 1.0 was launched in March 2001. The ease of use of webbuilder and its relatively lower costs as compared to general project development costs enable websites to be created and managed by personnel without formal IT training. The Directors anticipate that there will be growing demand from small and medium-sized enterprises for webbuilder. The Group has developed a customised version of webbuilder targeted at companies listed on the Main Board or GEM of the Stock Exchange.

Another major product in the development pipeline is webchannel which is modulated from the e-Business project developed by the Group for Nike. It is designed to provide an online three-way communication channel between user companies and their buyers and suppliers to facilitate business operations and logistic management. Webchannel allows companies to designate unique content and user right to each user group so that users can access and update information specific to the assigned group. The Directors anticipate that webchannel will be launched by the second quarter of 2002.

These e-Business products developed by the Group can either be sold as off-the-shelf products with dedicated server hosting or by way of the ASP model. The Group has entered into a memorandum of understanding with a global leading computer and network products provider to provide free seminar slots, web selling facilities and marketing funds to the Group in respect of its software products under their joint marketing arrangements.

Revenue basis

For the period from 23rd July, 1999 to 31st December, 1999, substantially all revenue of the Group of approximately HK\$1.38 million was attributable to the provision of e-Business solutions and was derived from e-Business integration and other related professional services. For the year ended 31st December, 2000 and the nine months ended 30th September, 2001, approximately HK\$6.03 million and approximately HK\$3.55 million, representing approximately 67.26% and 43.49% respectively of the revenue of the Group, were attributable to the sales of e-Business solutions. For the same period, gross profit of the Group attributable to its e-Business solutions amounted to approximately HK\$3.63 million and HK\$1.80 million respectively. The Directors anticipate that the sales of the Group's e-Business products will account for an increasing proportion of the Group's turnover in the future.

Multiple access platform

In view of the growing emergence of alternative devices for Internet access, the Group first contemplated the development of the multiple access platform in the first quarter of 2000. The Directors consider that the Group's development of the multiple access platform forms part of its core business of the provision of Internet platform and Internet enabling technologies.

Since May 2000, the Group has committed resources in the design, development and implementation of voice and wireless Internet enabling solutions, converging voice, wireless and Internet technologies. In September 2000, Mr. Lo Hoi Keung joined the Group as the chief executive officer and chief technology officer of MAP to engage in the development of the multiple access platform.

Currently, only a limited number of websites are compatible with mobile and other wireless access devices. In October 2000, the Group completed the development of an application service platform, the MAP-Village, that offers multiple access channel for wireless and voice devices, including mobile phones, fixed line phones, PDA and other WAP-enabled devices to be connected to Internet, Intranet and Extranet systems. The MAP-Village is integrated with speech recognition, text-to-speech and other dynamic Internet content transforming technologies that supports the receipt of different content formats, including WML, XML, VoiceXML and their delivery on multiple devices. The Directors believe that the Group is one of the few Internet technology and platform providers in Hong Kong that has developed a multiple access platform integrated with speech recognition and text-to-speech functions in English, Mandarin and Cantonese.

The proliferation of wireless phones and other WAP-enabled devices provide a powerful means to connecting businesses with their business partners and customers without the constraints of time and location. There is a growing trend for business entities to provide an increasingly mobile population of business partners, employees and customers with enhanced commerce and communication capabilities over the telephone and other wireless devices. Currently, the MAP-Village is mainly targeted at business entities with Internet, Intranet and Extranet systems. The Directors believe that the voice and wireless user interface provided by MAP-Village is convenient for the delivery of information and services and therefore will attract significant business opportunities. Customers of MAP-Village currently include companies in the entertainment and information technology sectors.

In addition to the provision of MAP-Village, the Group also develops and implements solutions that allow its clients to integrate the latest voice and wireless technologies into their business operations. The voice and wireless technologies developed for the MAP-Village can be utilised in the e-Education solutions as well as the e-Business solutions offered by the Group. For example, the ticket-purchasing system developed for EDKO Films Limited, an e-Business solution developed by the Group is integrated with the Group's voice and wireless technologies developed for the MAP-Village that supports ticket reservation through mobile phones, fixed-line phones and PDAs. The Group has also developed a telephone network music station which allows access to music-related materials through the Internet, mobile phones, fixed-line phones and PDAs. Other professional services offered by the Group include system design on customised voice and wireless applications, unified messaging systems and other value-added services for the telecommunications industry.

Revenue basis

For the period from 23rd July, 1999 to 31st December, 1999, no revenue was recorded for the Group's multiple access platform. For the year ended 31st December, 2000 and the nine months ended 30th September, 2001, approximately HK\$0.79 million and HK\$3.46 million respectively, representing approximately 8.83% and 42.38% of the revenue of the Group were attributable to the sale of multiple access platform respectively. For the same period, gross profit of the Group attributable to the multiple access platform amounted to approximately HK\$0.46

BUSINESS

million and HK\$0.92 million respectively. The Directors anticipate that with the rising popularity of voice and wireless Internet enabling solutions, the Group will receive increasing revenue from the sale of MAP-Village and other voice and wireless Internet enabling solutions.

STRENGTHS OF THE GROUP

The Directors believe that the Group possesses the following strengths:

- its distinguished profile as a quality provider of e-Education platform, e-Business solutions and multiple access platform;
- its early move into the e-Education, e-Business solutions and voice and wireless industries which give it a distinct lead over its local competitors;
- its management's in-depth experience and expertise in the e-Education, e-Business solutions and voice and wireless industries;
- its strong technological capability which enables the Group to introduce innovative solutions;
- its project development experience in a broad spectrum of industries complements the Group's offerings and allows the Group to shorten the lead time in the development of generic products;
- its collaboration with the Education Department, schools and universities in Hong Kong which facilitate the Group's penetration into the e-Education markets in Hong Kong;
- its strong alliances with strategic partners and investors which allows the Group to offer total solutions with broad business coverage.

PRODUCTS AND SERVICES

e-Education solutions

The Group's principal products in respect of its e-Education business include eCampus and eCampus Library. The Group also provides other professional services including project consultation, distance learning solutions and applications development.

eCampus

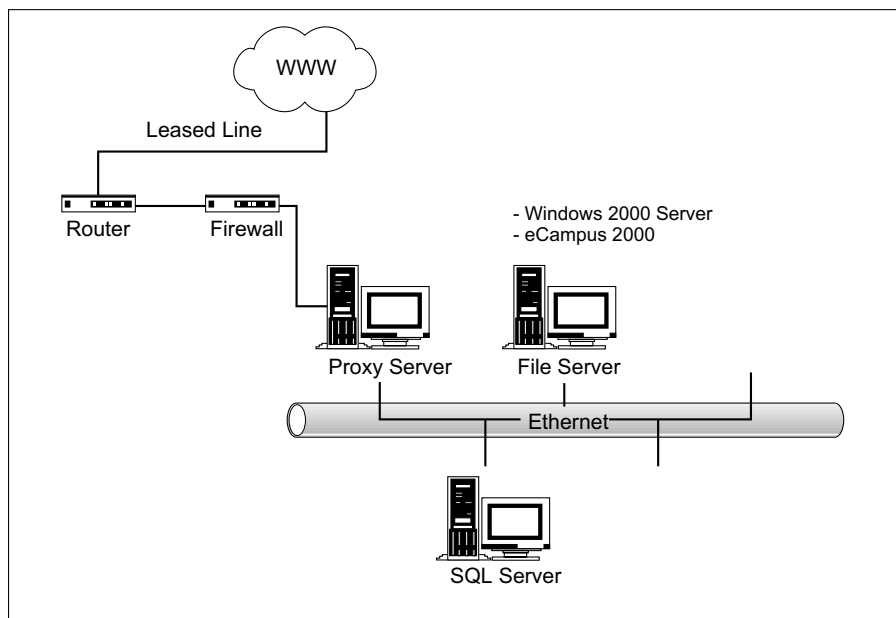
eCampus is the flagship product of the Group. It is a unique solution which supports communication, resources sharing and information dissemination in an Intranet, Extranet and Internet environment designed for schools. It is integrated with the following features:

- activity enrolment system, a system which allows students to enrol for extra curricular activities through an intranet system
- content management system, a system which contains the tools for an administrator to manage the content update easily
- e-mail system, a system enabling students, staff and school administrators to share information and communicate electronically
- user administration and tool administration systems, tools which can be used to manage user accounts and functions in the platform

BUSINESS

- project gallery, a system which provides a forum for users to post their pictures or other graphical presentation in various formats, to view their own and others' pictures or other graphical presentation online and to post personal opinion and comment.
- video-on-demand, a platform which allows students to organise, upload and download multimedia programs from a video server
- test-on-demand, a system which allows students to carry out tests on any particular subject with records showing test results including the students own mark and analyses of results for all students such as the average mark and the highest mark among all students
- questionnaire generator, a function which allows users to create their own questionnaires to collect information or feedback
- course preparation system, a system which allows teachers to upload teaching materials including written materials, video, sound and graphics
- resources booking module, a system which assists school administrators to manage school resources and allows staff and students to reserve school resources through an Intranet platform
- MyeCampus, a system which contains a number of personal tools including web-based e-mail system, calendar with sharing events function and personal file management system

The system diagram of eCampus is shown below:



eCampus consists of two models, the ASP model and the school-based model. For the ASP model, the server and database of a school are hosted in a data hosting centre designated by the Group. For the school-based model, the database of a school is hosted in the local server installed at the school.

eCampus Library

eCampus Library is a web-based library management system for schools. The system consists of two parts, namely, the web-based module and the librarian workstation module. The former allows users to access school library resources through a local area network (LAN) and the Internet, while the latter provides library administrators with handy tools to manage daily library operations. The system allows Internet access to the school library and supports a broad range of library administrative functions such as online reservation, user administration and library resources categorisation.

The web-based module of eCampus Library supports the following main functions:

- user administration, a system which enables borrowers to access their own user profiles and allows administrators to classify individual users to their corresponding user groups
- resources administration, a feature which allows administrators to manage resource type and location as well as adding new books or items.
- library news administration, a feature which allows administrators to update the library news notice board
- rules administration, a feature which allows administrators to set up loan rules and late return penalty
- menu administration, a tool which allows maintenance of the system's menu by the administrators
- tag administration, a tool which allows administrators to manage the library coding system
- budget administration, a system which allows administrators to budgeting tools for new book purchases

The librarian workstation module supports the following main functions:

- book borrow and return recording system
- importation of books data
- inventory checking
- report printing on book reservations, top readers list, top books list, book inventory and book overdue

e-Business solutions

The Group applies its technological knowhow and cross industry expertise in project implementation to modulate off-the-shelf products for general application and industry specific market. The Group's principal products include webproject and webbuilder, both of which are currently available and webchannel, which is expected to be commercially available by the second quarter of 2002. The Group also provides professional and consultancy services to clients on e-Business system development systems architecture design, hardware capacity planning, project implementation and technological integration with core business practices.

Webproject

Webproject is a web-based application designed for project management with reference to the project management standards prescribed by PMI. Webproject version 1.0 was launched in March 2001, targeting at corporate entities and professional firms. It provides tools for users to create their project system and manage the timeline and status of the tasks assigned for each project through the Internet in a user friendly and efficient manner.

Webproject provides the following features:

- user account administration with authority setting
- task assignment
- group and individual project calendar
- document sharing and management
- timeline management
- reminder feature
- discussion forum
- multi-projects and cross functional coordination support
- user-friendly graphical interface
- global access with web browsers
- international time zone
- e-mail broadcasting to project members

Given the basic features above, webproject version 2.0 which is expected to be launched by the second quarter of 2002 will be integrated with the following additional features:

- enhanced security system
- upgraded language function to include simplified Chinese characters

Webuilder

Webuilder was modulated from the Internet system development projects implemented by the Group. It is designed to equip users with the necessary tools to build and maintain their own website. It is targeted at small and medium enterprises. Webuilder version 1.0 was launched in March 2001 integrated with the following features:

- password protection for content administration
- product catalogue and e-mail enquiry
- online approval system

BUSINESS

- multiple level support
- global access with any web browser
- online content management
- extensive customisation capabilities to add new forms and templates

In addition to the above features, webbuilder version 2.0 which is anticipated to be launched by the second quarter of 2002 will be integrated with the following extra features:

- voice recognition function
- WAP enabling technology
- upgraded language function to include simple Chinese characters

Webchannel

Webchannel is designed to provide an online three-way communication channel between user companies and their buyers and suppliers to facilitate business operations and logistics management. Webchannel allows companies to designate unique content and user right to each user group so that users can access and update information specific to the assigned group. The Directors anticipate that webchannel will be launched by the second quarter of 2002.

Webchannel will be incorporated with the following features:

- user account administration with authority setting
- document and photo sharing with business partners and clients
- new document reminder feature
- discussion forum
- product catalogue and enquiry
- corporate news announcement and broadcast system
- partners and clients contact list
- event calendar

e-Business integration and professional services

The Group provides e-Business integration and other related professional services. The Directors believe that the Group is one of the pioneers in Hong Kong in applying Java and other technologies in developing user interface and applications for all kinds of Internet based system. The Group builds on its expertise in e-Business system design to implement solutions addressing all elements of e-Commerce such as B2B and B2C to facilitate the handling of business operations such as sales transaction, order processing and transaction settlement through the Internet. The Group's e-Business solutions support applications on the Internet and Intranet.

BUSINESS

The Group also provides professional and consultancy services to clients on e-Business development system architecture design, project implementation and technological integration with core business practices.

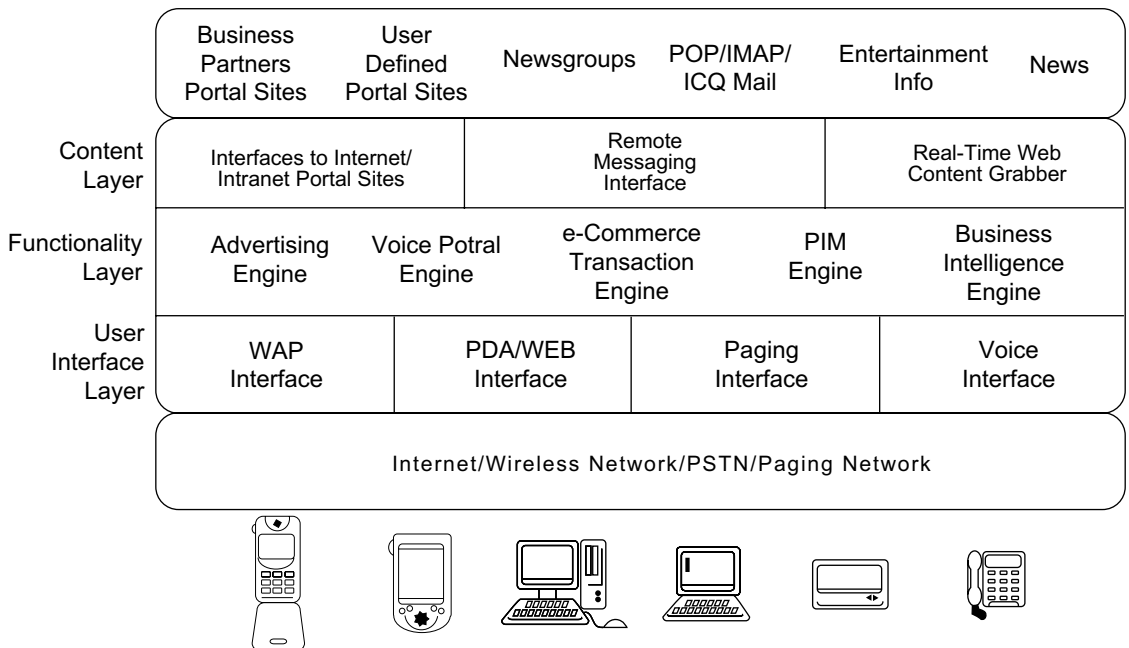
Multiple access platform

Since May 2000, the Group has committed resources in the design, development and implementation of voice and wireless Internet enabling solutions, converging voice, wireless and Internet technologies. By implementing wireless Internet enabling technologies, the Group's multiple access platform, the MAP-Village, assists corporate entities enhance efficiency and streamline operations. Information can be delivered through many mediums and communication devices with MAP-Village through remote access to corporate Intranet and other Internet-based services. The Group also provides professional value added services to clients including the integration of voice and wireless technologies into the client's existing operating system, systems design of voice and wireless applications, WAP application and unified messaging system.

MAP-Village

Launched in December 2000, the MAP-Village platform combines the use of the Internet with mobile devices such as mobile phones, wireless PDA and WAP enabled communication devices connected to the Internet. Through MAP-Village, content can be transformed from different sources such as Internet mail, ICQ, newsgroups and web content and be presented on various devices such as voice channel, mobile short messaging channel, mobile data channel and Internet/ Intranet channel.

The MAP-Village application service platform can be divided into three layers – the content layer, functionality layer and the user interface layer. The diagram below illustrates the functions of the three layers in the MAP-Village application service platform.



Content layer

The content layer is mainly responsible for the build-up and synchronisation of content from different formats. It includes the following features:

- Real-time web content grabber – transforms existing content on Internet sites with HTML format to several formats such as WML, XHTML, XML, VociXML which can be read by mobile devices.
- Remote messaging interface – provides remote mail interface, ICQ interface and newsgroups interface that dynamically transform the messaging content collected from any remote sites.
- Interfaces to Internet/Intranet portal sites – transforms content to multiple devices based on template format for Internet content providers and corporations

Functionality layer

The functionality layer consists of core engines forming the basic platform developed by the Group. The various types of core engines targeted at individuals and corporations in different industries are listed as follows:

- Voice portal engine – consists of text-to-speech and speech recognition functions which convert content collected from the content layer to synthesize the human voice and recognise human speech in voice portal applications.
- Advertising engine – provides online functions for system administrators to maintain, schedule and broadcast advertising messages to individual function groups on different devices.
- Personal information management engine (“PIM engine”) – assists individual users to customise their profiles and maintain their own personalised multiple-access organisers on different devices.
- Business intelligence engine – provides analytical functions to system administrators such as marketing research data by collecting the usage patterns from the MAP-Village platform.
- e-Commerce transaction engine – provides security functions to system administrators on wireless environment for creating mobile commerce applications.

User interface layer

The user interface layer mainly controls the presentation of content on different devices and includes the following interfaces.

- WAP interface – supports different presentation format on different WAP browsers and is able to determine device types. It also allows image conversion from BMP to WBMP and supports real time bitmap conversion and Unicode conversion for WAP phones.
- Voice interface – supports text-to-speech from HTML and allows speech recognition in English, Mandarin and Cantonese.
- Paging interface – able to handle the connectivity of the MAP-Village platform to paging networks that support TAP and TNPP.
- PDA/WEB interface – allows the viewing of content that fits the screen size of Palm and pocket PCs.

BUSINESS

QUALITY CONTROL

The Group is committed to provide high quality products and solutions to satisfy its customers' requirements. As a result, the Group administers stringent quality testing procedures including trial run and testing conducted by the Group's technical team. In addition, the Group implements quality control testing at various stages of product development, from feasibility studies conducted at the beginning to ensure the viability of each project to product testing at the final stage to eliminate defects. All such activities are examined and reviewed by the Group's clients in order to ensure that they are satisfied with the finished products or solutions of the Group.

Given the Group's stringent quality control procedures, there has been no operational failure of the products and solutions implemented by the Group. For the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001, the Group has not received any material complaints from clients in relation to the quality of its products and solutions which would materially and adversely affect the business operations and financial position of the Group.

SALES AND MARKETING

Sales

The Group's revenue is mainly derived from the sale of project based solutions and products in the areas of e-Education, e-Business solutions and multiple access platform. The Group targets its sales and marketing efforts towards schools, universities, corporate entities and government departments in Hong Kong and the PRC. The Group's sales and marketing team comprises three members who are responsible for the marketing and promotion of the Group's products and services.

The Group mainly provides its off-the-shelf products to its clients on a fixed price basis. For tailor made projects, the project scope is usually pre-determined and agreed upon between the Group and its client. The total amount charged by the Group for a project depends upon various factors such as the complexity of the project and the expected number of working days required to complete the project. The Group also charges a one-off set up fee in respect of its ASP services. The Group generally charges maintenance fees in respect of its ASP services monthly or annually.

The five largest customers of the Group accounted for approximately 100.00%, 52.00% and 60.45% of the Group's total turnover for each of the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001 respectively with the largest customer of the Group accounting for approximately 70.92%, 17.28% and 24.50% respectively. Save and except for Corpmart.com Limited, none of the Directors, their respective associates or, so far as the Directors are aware, shareholders who hold more than 5% of the issued share capital of the Company (immediately following the completion of the Placing and the Capitalisation Issue and taking no account of the Shares which may be taken up under the Placing or issued pursuant to the exercise of the Over-allotment Option and the options granted or to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme) had any interests in any of the five largest customers of the Group for each of the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001. For the year ended 31st December, 1999 and the nine months ended 30th September, 2001, Corpmart.com Limited accounted for approximately 1.45% and 8.82% of the Group's total turnover. The services provided by the Group to Corpmart.com Limited was portal development. On 1st February 2001, Mr. Yu Hang Chung, Herman resigned as a director of Corpmart.com Limited and on 19th July, 2001, Mr. Yu Hang Chung, Herman disposed of all his interests of approximately 11.41% in Corpmart.com Limited. As a result, none of the Directors, their respective associates or, so far as the Directors are aware, shareholders who own more than 5% of the issued share capital of the Company (immediately following the completion of the Placing and the Capitalisation Issue and taking no account of the Shares which may be taken up under the Placing or issued pursuant to the exercise of the Over-allotment Option and the options granted or to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme) currently hold any interests in Corpmart.com Limited.

BUSINESS

Payments are settled in Hong Kong dollars by cheques or in Renminbi by remittances. For the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001, except for an amount of RMB500,000 which was paid in Renminbi, all payments were settled in Hong Kong dollars. The Group generally gives 30 to 60 days' credit terms to its customers depending on the business relationship with a particular client and its payment history. The Directors consider that the Group generally maintains tight credit control measures and it has made adequate provisions for doubtful debts. For each of the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001, bad debts of the Group amounted to approximately HK\$136,000, HK\$2,283,000 and HK\$782,000 representing approximately 9.89%, 25.46% and 9.58% of the total turnover of the Group respectively.

Marketing

The sales and marketing team is generally involved in the preparation of proposals and quotations and discussions with the Group's technical team in relation to customer specifications for its project-based solutions. The Group mainly relies on direct marketing, referrals from its business partners and tenders from governmental departments for the promotion of its project-based solutions.

For the marketing of products or packaged solutions, apart from direct marketing, the Group also conducts product demonstrations for its targeted potential customers. In addition, the Group conducts market research and plans its marketing strategy before the launch of its major products, organises press conferences and conducts demonstrations to potential clients in selected industries.

In order to increase brand recognition, the Group regularly participates in technology exhibitions, press conferences, and seminars in Hong Kong and the PRC to promote its products and services. The Group also sponsors events organised by specific groups to promote the Group's brandname. For example, the Group has sponsored a number of events for the promotion of its e-Education products to schools.

With an emphasis on a customer-oriented approach, the Group seeks to understand its customers' requirements and monitor closely their feedback in order to enhance its products and solutions. The Group conducts free training sessions for customers after installation of the Group's products or solutions in order to provide them with a thorough understanding of the Group's solutions and how to maximise their use and to increase efficiency.

As at the Latest Practicable Date, the Group had entered into two non-exclusive distribution agreements with computer software and hardware companies including Nuance and Gilat. Pursuant to the distribution agreements, the Group has been granted the rights to sell their products in Hong Kong and/or the PRC. Leveraging on the alliances with its distribution partners, the Group also undertakes joint marketing promotions with a global leading computer and network products provider. The Directors believe that these agreements and cooperative arrangements will enable the Group to deliver to their customers a more comprehensive solution. The Directors also believe that by maintaining the relationship with these partners, the overall brand image and competitiveness of the Group will be enhanced.

SUPPLIERS AND PURCHASES

All of the Group's purchases are made in Hong Kong dollars and payments are generally made on a cash-on-delivery basis. The payment methods to the Group's suppliers are usually upon delivery and are usually settled by cheque in Hong Kong dollars.

The five largest suppliers of the Group accounted for approximately nil, 27.49% and 33.01% of the total purchases of the Group for each of the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001 respectively with the largest supplier of the Group accounting for approximately nil, 8.14% and 13.15% respectively. None of the Directors, their respective associates or, so far as the Directors

BUSINESS

are aware, shareholders who hold more than 5% of the issued share capital of the Company (immediately following the completion of the Placing and the Capitalisation Issue and taking no account of the Shares which may be taken up under the Placing or issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Plan and the Share Option Scheme) had any interests in any of the five largest suppliers of the Group for each of the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001.

RESEARCH AND DEVELOPMENT

The Directors believe that timely response to rapid technological changes and the changing requirements of its customers are critical to the success of the Group. As such, the Group places considerable emphasis on the research and development of its products.

The research and product development team consists of 18 members in Hong Kong and 6 members in the PRC and can be broadly characterised into three teams, namely, the project team, the content and development team and the technical team. The project team is responsible for the coordination of the project. The content and design development team considers the conceptual design including factors such as the overall scheme and layout for different software and follows through the entire project to ensure the end result is in accordance with the client's requirement. Based on the specifications, the technical team is responsible for the development of enabling technologies.

The research and development team of the Group maintains close contacts with the Group's technological partners and vendors in order to keep up with the changing technological standards. The staff of the Group attend technical training or seminars organised by the Group's technological partners and other technological vendors, so that they are kept abreast with the latest technological developments and are able to integrate such technologies into the Group's new or enhanced products and services.

For the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001, the research and development expenses incurred by the Group amounted to approximately nil, HK\$5.36 million and HK\$0.85 million, respectively. The research and development expenses include salaries of research and product development staff in Hong Kong and the PRC according to the number of working days spent on the research and development of new products and enhancement of existing products.

SECURITY AND DATA PROTECTION

The Directors consider that security and data protection is crucial in order to protect the Group's proprietary rights. The Group implements security infrastructure for authenticating and authorising access, for example, all source codes and confidential documentations such as functional specification, system design and user manuals are stored in Microsoft Source Safe. To protect the data against loss or damage and prevent unauthorised access and fraud, only project team members are permitted to access the source codes of their assigned projects, while only technical managers and chief technology officers have the access rights to all the source codes.

COMPETITION

e-Education

There are about 780 primary schools, secondary schools and other education institutions using the Group's e-Education solutions in Hong Kong.

As an early entrant to the e-Education market, the Group has collaborated with schools and educational authorities in Hong Kong and the PRC. The Group intends to implement new technologies to develop innovative e-Education solutions, web learning and specific applications for schools in order to maintain its leading position in the industry. The Directors consider that the Group mainly competes with new entrants to the e-Education market which offer e-Education products at a low price and existing solution providers in the e-Education market which develop new products within a short lead time.

BUSINESS

e-Business

The Group competes with both local and international Internet technology providers in respect of its e-Business solutions. These companies mainly compete with the Group's project-based services including e-Business integration, and other related professional services. The main competitors usually specialise on specific areas which may include strategic consultation, web-based application development, web design, e-branding and online marketing.

The Directors consider that the Group has a competitive edge over its competitors with its web-design services and its series of e-Business products including general business applications as well as industry-specific products. At present, the Directors are only aware of a limited number of products developed by US and Hong Kong companies which are similar to the Group's Webproject, Webbuilder and Webchannel. However, the Group's e-Business products offer additional features such as password-protected content and product customisation at more competitive prices and are mainly targeted at small to medium-sized enterprises and corporations such as architecture firms, trading firms and travel agencies.

Multiple access platform

MAP-Village is an application service platform which offers multiple access channel for wireless and voice devices. Currently, only a limited number of websites are compatible with mobile and other wireless access devices.

Within the Asia Pacific region, the Group faces competition from several mobile access service providers. However, the Directors consider that the Group possesses a competitive edge over these competitors as it has integrated speech recognition and text-to-speech technologies with dynamic Internet content transforming techniques.

INTELLECTUAL PROPERTY RIGHTS

The Group has applied for the registration of trademarks in Hong Kong and the PRC in 2001 and registered certain domain names, details of such applications for registration of trademarks are disclosed in the paragraph headed "Intellectual property" under the section headed "Further information about the business" in Appendix IV to this prospectus.

STRATEGIC INVESTOR

In order to facilitate its business development, the Company continues to pursue strategic relationships with companies that have the technology capability, resources, expertise and local influence that could assist the Group in becoming the leading Internet technology and platform provider in Hong Kong and the PRC with a focus on e-Education solutions, e-Business solutions and multiple access platform.

HyComm

HyComm is a company listed on the Main Board. It is engaged in the business of property development, property leasing, construction and decoration services, provision of property management services, property agency and investments in technology. HyComm is a long term strategic investor of the Group. The Directors believe that HyComm invested in the Group as HyComm considers that Internet technology business have tremendous commercial potential. As at the Latest Practicable Date, HyComm held 569,751 Shares which represented approximately 12.25% of the issued share capital of the Company and will hold 60,584,726 Shares after completion of the Placing and the Capitalisation Issue, representing approximately 10.10% of the issued share capital of the Company immediately after completion of the Placing and the Capitalisation Issue (assuming that the Over-allotment Option and the options granted or to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme are not exercised). Currently, HyComm is not engaged in any business in direct competition with those of the Group.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

Executive Directors

Mr. Yu Hang Chung, Herman, aged 28, established the Group in April 1997 and is the chairman and chief executive officer of the Company. He is responsible for the overall strategic planning and management of the Group. Mr. Yu graduated from the Chinese University of Hong Kong in 1995 with a degree of bachelor of social science. Mr. Yu set up Codebank IMA Limited (formerly known as IMA Communications Limited), a business engaged in website design and the development of intranet systems prior to incorporation of the Company. With over four years of experience in the Internet industry, Mr. Yu has expanded the business of the Group from website design to the development of e-Business and e-Education solutions.

Mr. Suen Kwok Kin, aged 25, joined the Group in August 1999 and is the chief creative officer of the Company. Mr. Suen is responsible for managing the creative and graphical design of IT projects and product development. He had participated in various website designs such as www.stareastnet.com, www.hkevents.net, www.lib.ouhk.edu.hk and www.towrylaw.com.hk. Prior to joining the Group in August 1999, Mr. Suen worked at PowerPhone Network Limited. Mr. Suen has over four years of experience in the Internet industry.

Mr. Kam Chun Ying, Francis, aged 35, joined the Group in June 1999 and is the Director in charge of accounting and finance of the Group. Mr. Kam participated in the management and has been a key member of the senior management of the Group since June 1999. He established the accounts and administration systems of the Group and is involved in the overall financial and administration functions of the Group. Mr. Kam previously worked for Credit Lyonnais Securities (Asia) Limited. With over 14 years of experience in finance and accounting, Mr. Kam is responsible for the Group's financial, administrative and secretarial affairs. He is a fellow member of the Association of Chartered Certified Accountants, an associate of The Hong Kong Society of Accountants and a member of the Hong Kong Securities Institute.

Mr. Cheng Yu Hong, aged 33, joined the Group in May 2001 and is the chief investment officer of the Company who is responsible for overseeing the Group's overall strategic investment planning and the operations of the Group's portfolio companies. Prior to joining the Group, Mr. Cheng was the vice president of Amroc Investments Asia Limited. Mr. Cheng has also worked with Fuji International Finance (HK) Limited (the investment banking arm of Fuji Bank Limited) as assistant director of the trading group of that company. Mr. Cheng had also worked for Dresdner Bank AG in Singapore and Lehman Brothers Asia Limited.

Non-executive Directors

Professor Woo Chia-Wei, aged 64, was appointed as a non-executive Director on 7th December, 2001. Professor Woo has been founding president of the Hong Kong University of Science since September 1988. In 1983, he became president of San Francisco State University, the first Chinese-American president of a large university in the US. Professor Woo also serves on the Commission on Strategic Development of Hong Kong and the Chinese People's Political Consultative Conference. Professor Woo also acts as an independent non-executive director for First Shanghai Investments Limited and Shanghai Industrial Holdings Limited, a company the securities of which are listed on the Main Board of the Stock Exchange.

Mr. Choy Mun Kei, aged 37, joined the Group as a non-executive Director on 7th December, 2001 and is the company secretary of HyComm. Mr. Choy graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) in 1989 with a professional diploma in accountancy. He is an associate member of The Hong Kong Society of Accountants and a fellow member of The Association of Chartered Certified Accountants.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Independent non-executive Directors

Dr. Lau Wah Sum, aged 73, was appointed as an independent non-executive Director on 7th December, 2001. Dr. Lau is a registered investment adviser and a fellow member of the Hong Kong Society of Accountants. He is currently a director of W S Lau & Associates Limited and chairman of Equity Financial Press Limited. He is also a chairman of the Board of the Urban Renewal Authority and a court member of The University of Science and Technology of Hong Kong. He also sits on the board of directors of several listed companies in Hong Kong.

Mr. Cheung Chun Ying, Victor, aged 27, was appointed as an independent non-executive Director on 7th December, 2001. Mr. Cheung is a dealing director of TradingGuru.com Securities Limited. Prior to that, Mr. Cheung worked in Lehman Brothers Japan Inc. in Tokyo. Mr. Cheung graduated with a bachelor of Arts degree from Harvard University and was awarded a Yale MBA scholarship for 1999-2000 academic year at the Yale School of Management. Mr. Cheung is a certified public accountant in the US.

SENIOR MANAGEMENT

Mr. Wang Jing, aged 31, is the president of Codebank Beijing. Mr. Wang oversees all aspects of operations, business development and resources allocation in the PRC. Prior to joining the Group in January 2001, Mr. Wang was the general manager of 中教科技實業有限公司 (Sinotech Enterprise Limited). Mr. Wang plays an important role in expanding the Group's e-Education business in the PRC. He has also worked as the branch manager in Beijing of 深圳中教育星軟件有限公司 (Shenzhen Educational Software Enterprise Limited) from 1995 to 1998. Mr. Wang obtained his bachelor of computer science degree from Tsinghua University, the PRC and his master of economics degree from 中國社會科學院研究生院 (the China Academy of Social Sciences, the PRC).

Mr. Tang Gan Gene, aged 28, joined the Group in June 2001 and is the president of CBIT. Mr. Tang is responsible for operations, including technology development, business development and resources allocation. Mr. Tang has been in the internet technology industry for over two years. Prior to joining the Group, he was the chairman of Family Online Corporation Limited and chief operating officer of Corpmart.com Limited. Mr. Tang obtained a degree of bachelor of electrical engineering and a degree of bachelor of science in 1997 from the University of Melbourne, Australia.

Mr. Jiang Jing Hua, aged 68, joined the Group in August 2000 and is the vice chairman of Campus Online Shanghai. Mr. Jiang is responsible for the overall business development in the PRC and liaising with education institutions in the PRC. Prior to joining the Group, Mr. Jiang was the vice chairman and general manager of China Hi-tech Group Co., Ltd., a publicly listed company in Shanghai. Mr. Jiang also worked for the National Education Committee in Beijing. He was 中華人民共和國國家教育委員會條件裝備司司長 (the director of conditioning & equipment department) of the National Education Committee, the PRC), assistant professor of Tsinghua University, chairman of the second board of governors of 全國高等學校實驗室工作研究會 (China University & College Laboratory Institute), chairman of 中國教學儀器設備行業協會 (China Instrument Industry Association) and chairman of the first board of governors of 中國高校校辦產業協會 (China University & College Enterprise Association).

Mr. Ng Wing Hong, aged 28, is the chief technology officer of the Group. Mr. Ng graduated from the Hong Kong Polytechnic University in 1997 with a degree of bachelor of arts in computing. Mr. Ng is responsible for the management of IT projects and design and development of software including the Group's educational software application, eCampus. Since joining the Group in December 1998, Mr. Ng has led the Group to develop significant IT projects in Hong Kong, including projects with Towry Law, stareastnet.com and hkevents.net. Prior to joining the Group, Mr. Ng worked at GlobalNet Telecommunications International Ltd.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Lo Hoi Keung, aged 36, is the chief executive officer and chief technology officer of MAP. He graduated from City University of Hong Kong in 1996 with a bachelor degree of science in computer studies and higher diploma in applied science from Hong Kong Polytechnic in 1988. He is currently attending a master of science Internet computing at the University of Hong Kong. Mr. Lo joined the Group in September 2000. Prior to joining the Group in September 2000, Mr. Lo was a senior manager of multimedia services department of Mandarin Communications Limited. He was the product development manager of Hong Kong Telecom CSL and the vice president (Telephony System Group) of HK Star Internet Ltd.

Mr. Chan Kwok Wai, Andrew, aged 31, joined the Group in November 2000 and is the chief operations officer of MAP. Mr. Chan graduated from the University of California, Los Angeles, the U.S., in 1994 with a bachelor degree of arts majoring in geographical environmental studies. Mr. Chan is in charge of business development and the management of multiple access platform. Prior to joining the Group, Mr. Chan was an accounts manager of the Sundaywin department of Mandarin Communications Limited.

Mr. Au-Yeung Hui, Simon, aged 29, joined the Group in May 2000 and is the vice president of information technology of COL and is responsible for the product technology operation, infrastructure, research and development.

Ms. Lam Ching Shan, aged 30, is the executive vice president of COL and is responsible for sales and marketing as well as the overall business development of COL, focusing on the online learning platforms market. Ms. Lam obtained a degree of bachelor of arts from the Chinese University of Hong Kong in 1995 and a degree of master of arts in environmental management from the University of Nottingham, United Kingdom in 1997. She is experienced in sales and marketing in the Internet industry. Prior to joining the Group in January 2000, Ms. Lam was the manager (Education) of the sales department of PSINET Hong Kong Limited.

AUDIT COMMITTEE

The Company has established an audit committee on 7th December, 2001 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee comprises two independent non-executive Directors, namely, Dr. Lau Wah Sum, Mr. Cheung Chun Ying, Victor and Mr. Kam Chun Ying, Francis.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

STAFF

Overview of staff numbers

As at the Latest Practicable Date, the Group had a total of 44 full-time employees. The breakdown of the number of the Group's full-time employees by function is as follows:

	Hong Kong	PRC	Total
Management	5	2	7
Research and product development	18	6	24
Sales and marketing	1	2	3
Finance and administration	5	5	10
	<hr/>	<hr/>	<hr/>
Total	29	15	44

Relationship with staff

The Group has not experienced any significant problems with its employees or any material disruption to its operations arising from labour disputes not has it experienced any difficulties in the recruitment and retention of experienced staff. The Directors consider that the Group maintains good working relationships with its employees. From time to time, the Group arranges for its research and development staff to attend technical training or seminars organised by the Group's technological partners and vendors to keep them abreast with the latest technological developments.

BENEFIT SCHEMES

Each of the operating subsidiaries of the Group 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).

Pursuant to the mandatory central pension scheme operated by the PRC government, Campus Online Shanghai and Codebank Beijing are required to pay a prescribed amount of contributions to the individual accounts of its PRC employees maintained with 社會保險局 (the Social Security Bureaus) in Shanghai and Beijing.

SHARE OPTION SCHEME

The Group has conditionally adopted the Share Option Scheme. A summary of its principal terms is set out in the section headed "Share Options" in Appendix IV to this prospectus.

The Company has also adopted the Pre-IPO Share Option Plan. The principle terms of the Pre-IPO Share Option Plan are set out in the section headed "Share Options" in Appendix IV to this prospectus.

SUBSTANTIAL, SIGNIFICANT, INITIAL MANAGEMENT AND OTHER SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, the following persons (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option and the options granted or to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme and the Shares which may be taken up pursuant to the Placing), will be directly or indirectly interested in 10% or more of the Shares in issue immediately following completion of the Placing and the Capitalisation Issue:

Name of shareholders	Number of Shares directly held immediately after the Placing and the Capitalisation Issue	Approximate direct percentage of shareholding in the Company held immediately after the Placing and the Capitalisation Issue
Super Code Limited (<i>Note</i>)	186,207,496	31.04%
HyComm Wireless Limited	60,584,726	10.10%

Note: Super Code Limited is beneficially owned as to 72.02% by Mr. Yu Hang Chung, Herman, as to 4.23% by Mr. Kam Chun Ying, Francis, as to 8.22% by Mr. Ng Wing Hong, as to 4.11% by Mr. Suen Kwok Kin, as to 8.81% by Digikap Asia Limited and as to 2.61% by Ms. Lam Ching Shan.

INITIAL MANAGEMENT SHAREHOLDERS

So far as the Directors are aware, the following persons (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option and the options granted or to be granted under the Pre-IPO Share Option Plan, the Share Option Scheme and the Shares which may be taken up pursuant to the Placing), will be directly or indirectly interested in 1% or more of the Shares in issue and who are able, as a practical matter, to direct or influence the management of the Company:

Name of shareholders	Number of Shares directly or indirectly held immediately after the Placing and the Capitalisation Issue	Approximate direct or indirect attributable percentage of shareholding in the Company held immediately after the Placing and the Capitalisation Issue
Mr. Yu Hang Chung, Herman (<i>Note 1</i>)	134,106,639	22.35%
HyComm Wireless Limited (<i>Note 2</i>)	60,584,726	10.10%
Mr. Cheng Yu Hong (<i>Note 3</i>)	27,060,330	4.51%
Digikap Asia Limited (<i>Note 3</i>)	27,060,330	4.51%
Cyber Campus Networks Limited (<i>Note 4</i>)	8,295,122	1.38%
Mr. Ng Wing Hong (<i>Note 5</i>)	21,384,603	3.56%
Mr. Suen Kwok Kin (<i>Note 6</i>)	10,692,301	1.78%
Mr. Kam Chun Ying, Francis (<i>Note 7</i>)	10,996,778	1.83%
Ms. Lam Ching Shan (<i>Note 8</i>)	9,907,905	1.65%
Super Code Limited (<i>Note 9</i>)	186,207,496	31.04%

SUBSTANTIAL, SIGNIFICANT, INITIAL MANAGEMENT AND OTHER SHAREHOLDERS

Note:

1. Mr. Yu Hang Chung, Herman is a shareholder of Super Code Limited and an executive Director.
2. HyComm Wireless Limited is an Initial Management Shareholder by virtue of the fact that it has a representative on the board of Directors of the Company.
3. Digikap Asia Limited is wholly owned by Mr. Cheng Yu Hong, an executive Director.
4. Cyber Campus Networks Limited is an Initial Management Shareholder beneficially owned 50% by Mr. Ng Hoi Kam, as to 12.5% by Mr. Li Chun Wan, both of whom are Independent Third Parties and as to 37.5% by Ms. Lam Ching Shan, a member of the senior management of the Group.
5. Mr. Ng Wing Hong is a shareholder of Super Code Limited and a member of senior management of the Group.
6. Mr. Suen Kwok Kin is a shareholder of Super Code Limited and an executive Director.
7. Mr. Kam Chun Ying, Francis is a shareholder of Super Code Limited and an executive Director.
8. Ms. Lam Ching Shan is a shareholder of Super Code Limited and Cyber Campus Networks Limited and a member of senior management of the Group.
9. Super Code Limited is a substantial and controlling shareholder of the Company. Super Code Limited is held as to approximately 72.02%, 8.22%, 4.23%, 4.11%, 2.61% and 8.81% by Mr. Yu Hang Chung, Herman, Mr. Ng Wing Hong, Mr. Kam Chun Ying, Francis, Mr. Suen Kwok Kin, Ms. Lam Ching Shan and Digikap Asia Limited, respectively.

SIGNIFICANT SHAREHOLDER

So far as the Directors are aware, the following person (without taking into account the Shares which may be issued upon exercise of the Over-allotment Option and the options granted or to be granted under the Pre-IPO Share Option Plan, the Share Option Scheme and the Shares which may be taken up under the Placing) is entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company immediately following completion of the Placing and the Capitalisation Issue:

Significant shareholder	Number of Shares directly held immediately after the Placing and the Capitalisation Issue	Approximate percentage of shareholding immediately after the Placing and the Capitalisation Issue
Gainson Limited	46,083,974	7.68%

UNDERTAKINGS

Each of the Initial Management Shareholders in the Company has undertaken to the Stock Exchange, the Company, the Sponsor and each of the Underwriters that:

- (a) during the period of 12 months from the Listing Date, it/he/she will not and will procure that none of its/his/her associates (as defined in the GEM Listing Rules) will sell, transfer or otherwise dispose of (or enter into any agreement to dispose of) nor

SUBSTANTIAL, SIGNIFICANT, INITIAL MANAGEMENT AND OTHER SHAREHOLDERS

permit the registered holder to dispose of (or to enter into any agreement to dispose of), save pursuant to a pledge or charge to an authorised institution under the Banking Ordinance as security for a bona fide commercial loan, any of its/his/her Relevant Securities (as defined in the GEM Listing Rules) or any shares in any company controlled by it/him/her which is the beneficial owner of any of the Relevant Securities; and

- (b) it/he/she shall enter into an escrow agreement with an escrow agent acceptable to the Stock Exchange and the Sponsor and place in escrow, with such escrow agent, the Relevant Securities held by it/him/her during the period of 12 months from the Listing Date.

Immediately after the Placing and the Capitalisation Issue and until the expiry of the period of 12 months from the Listing Date, the aggregate number of Shares which will be subject to the above non-disposal restriction is 279,917,733 Shares.

Each of the Initial Management Shareholders has undertaken to the Company and the Stock Exchange that, during the first 12 months from the Listing Date:

- (i) in the event that it/he/she pledges or charges its/his/hers direct or indirect interest in the Relevant Securities under Rule 13.17 of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.17(5) of the GEM Listing Rules at any time during the moratorium period, it/he/she must inform the Company immediately thereafter, disclosing the relevant information specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any interest in the Relevant Securities as referred to in (i) above, it/he/she must inform the Company immediately in the event that it/he/her becomes aware that the pledgee or the chargee has disposed of or intends to dispose of such interest and of the number of Relevant Securities affected.

Each of the shareholders of Super Code Limited has undertaken to the Company, the Sponsor and the Stock Exchange that he/she will not dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (nor enter into any agreement to dispose of) any of the shares in Super Code Limited during the first 12 months after the Listing Date.

Mr. Yu Hang Chung, Herman, an executive Director and the controlling shareholder of Super Code Limited, has undertaken to the Company, the Sponsor and the Stock Exchange that he will not dispose of (nor enter into any agreement to dispose of) any of his shares in Super Code Limited during the first 12 months after the Listing Date.

Mr. Cheng Yu Hong, an executive Director and the beneficial shareholder of Digikap Asia Limited, has undertaken to the Company, the Sponsor and the Stock Exchange that he will not dispose of (nor enter into any agreement to dispose of) his direct or indirect interest in Digikap Asia Limited during the first 12 months after the Listing Date.

Ms. Lam Ching Shan has undertaken to the Company, the Sponsor and the Stock Exchange that she will not dispose of (nor enter into any agreement to dispose of) her direct or indirect interest in Cyber Campus Networks Limited during the first 12 months after the Listing Date.

Gainson Limited, a significant shareholder of the Company, has undertaken to the Company, the Sponsor and the Stock Exchange not to dispose of its direct or indirect interest in its Relevant Securities for a period of six months after the Listing Date.

Mr. Fung Wing Cheung, Tony, the sole beneficial owner of Gainson Limited has undertaken to the Company, the Sponsor and the Stock Exchange not to dispose of his direct/indirect interest in Gainson Limited for a period of six months after the Listing Date.

SHARE CAPITAL

<i>Authorised share capital:</i>	<i>HK\$</i>
<u>1,000,000,000</u> Shares	<u>100,000,000</u>
 <i>Issued Shares:</i>	
4,652,823 Shares in issue	465,282.30
 <i>Shares to be issued:</i>	
490,107,177 Shares to be issued under the Capitalisation Issue	49,010,717.70
<u>105,240,000</u> Shares to be issued under the New Issue	<u>10,524,000.00</u>
 <i>Total Shares issued and to be issued:</i>	
<u>600,000,000</u> Shares	<u>60,000,000</u>

The minimum level of public float to be maintained by the Company at all times after listing under the GEM Listing Rules is 25% of its share capital in issue from time to time.

Notes:

1. Assumptions

This table assumes that the Placing and the Capitalisation Issue have become unconditional.

It takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or options granted under the Pre-IPO Share Option Plan or the Share Option Scheme, or which may be allotted and issued under the general mandate granted to the Directors for the allotment and issue of Shares (see Note 4 below), or which may be repurchased by the Company pursuant to the general mandate granted to the Directors for the repurchase of Shares (see Note 5 below).

2. Ranking

The Placing Shares will rank *pari passu* with all Shares in issue or to be issued as mentioned in this prospectus save for the entitlement under the Capitalisation Issue, and will qualify for all dividends and other distributions declared, made or paid on the Shares after the date of this prospectus.

3. Share Option Scheme and Pre-IPO Share Option Plan

The Company has conditionally adopted the Share Option Scheme on 7th December, 2001 a summary of the main terms of which is set out in the section headed "Share options" in Appendix IV to this prospectus. No options have yet been granted under the Share Option Scheme.

The Company adopted the Pre-IPO Share Option Plan on 7th December, 2001 a summary of the main terms of which is set out in the section headed "Share options" in Appendix IV to this prospectus. As at the date of this prospectus, the Company has granted options to subscribe for a total of 60,000,000 Shares representing approximately 10% of the enlarged issue share capital of the Company immediately after the completion of the Placing and the Capitalisation Issue (but before enlargement by the allotment and issue of Shares pursuant to the exercise of the Over-allotment Option and the options granted or to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme). Save for the options which have been granted under the Pre-IPO Share Option Plan and disclosed in this paragraph, no further options will be offered or granted under the Pre-IPO Share Option Plan. The Company has applied to the Stock Exchange for listing of Shares to be issued upon exercise of the options granted under the Pre-IPO Share Plan and to be granted under the Share Option Scheme.

The number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Plan, the Share Option Scheme and any other schemes of the Company must not exceed 30% of the Shares in issue from time to time.

SHARE CAPITAL

4. General mandate to allot and issue new Shares

The Directors have been granted a general mandate to allot and issue Shares in the share capital of the Company with a total nominal value of not more than the sum of:

- (a) 20% of the total nominal amount of the share capital of the Company in issue immediately following the completion of the Placing and the Capitalisation Issue (such share capital shall include Shares which may be issued upon the exercise of the Over-allotment Option); and
- (b) the total amount of the share capital of the Company repurchased by the Company under the mandate as mentioned in Note 5 below.

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

This mandate will expire:

- at the conclusion of the Company's next annual general meeting; or
- at the expiry of the period within which the Company is required by Hong Kong law or its articles of association to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the shareholders of the Company in general meeting, whichever is the earliest.

Further information on this general mandate is contained in the section headed "Shareholders' resolutions of the Company passed on 7th December, 2001" in Appendix IV to this prospectus.

5. General mandate to repurchase Shares

The Directors have been granted a general mandate to exercise all the powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal amount of the share capital of the Company in issue immediately following the completion of the Placing and the Capitalisation Issue (such share capital shall include Shares which may be issued upon the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange 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 made 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 Appendix IV to this prospectus.

This mandate will expire:

- at the conclusion of the Company's next annual general meeting; or
- at the expiry of the period within which the Company is required by Hong Kong law or its articles of association to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the shareholders of the Company in general meeting, whichever is the earliest.

Further information on this general mandate is contained in the section headed "Shareholders' resolutions of the Company passed on 7th December, 2001" in Appendix IV to this prospectus.

FINANCIAL INFORMATION

TRADING RECORD

The following is a summary of the consolidated audited results of the Group for the period from 23rd July, 1999 (being the date of incorporation of the Company) to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001. This summary should be read in conjunction with the accountants' report set out in Appendix I to this prospectus.

	Period from 23rd July, 1999 to 31st December, 1999 <i>HK\$'000</i>	Year ended 31st December, 2000 <i>HK\$'000</i>	Nine months ended 30th September, 2001 <i>HK\$'000</i>
Turnover	1,375	8,967	8,162
Cost of sales	<u>(685)</u>	<u>(3,441)</u>	<u>(5,172)</u>
Gross profit	690	5,526	2,990
Other revenue	–	7	26
Research and development expenses	–	(5,362)	(850)
Administrative expenses	(822)	(30,520)	(23,910)
Net realised and unrealised holding loss on trading investments (<i>Note 1</i>)	–	(58,401)	(54)
Broadband procurement expenses (<i>Note 2</i>)	–	–	(30,000)
Other operating revenue	–	–	10,646
Other operating expenses	<u>–</u>	<u>(2,155)</u>	<u>(4,444)</u>
Operating loss	(132)	(90,905)	(45,596)
Finance costs	–	(1,439)	(701)
Share of losses of associated companies	<u>–</u>	<u>(662)</u>	<u>(338)</u>
Loss for the period/year	(132)	(93,006)	(46,635)
Minority interests	<u>–</u>	<u>2,100</u>	<u>–</u>
Loss attributable to shareholders	<u><u>(132)</u></u>	<u><u>(90,906)</u></u>	<u><u>(46,635)</u></u>
Loss per share (HK dollars) – basic (<i>Note 3</i>)	<u><u>(0.83)</u></u>	<u><u>(34.92)</u></u>	<u><u>(11.43)</u></u>
Loss per share (HK cents) – proforma diluted (<i>Note 4</i>)	<u><u>(0.03)</u></u>	<u><u>(18.88)</u></u>	<u><u>(9.68)</u></u>

Notes:

- The balance represented net realised and unrealised holding loss on the trading investments, comprising 30,650,000 shares in HyComm. The Company was allotted with these shares in consideration for the issue of 267,606 Class A shares of HK\$0.10 each in the Company to HyComm in 2000. All the shares in HyComm were disposed by the Group during the year ended 31st December, 2000 and the nine months ended 30th September, 2001.

FINANCIAL INFORMATION

2. Pursuant to an agreement entered into by the Company with Aionnet and One Trend Net Holdings Limited in April 2001, Aionnet has agreed to procure network service provider(s) in the PRC to install and implement an extensive private network platform covering 53 cities in the PRC comprising the use of a broadband backbone network with a bandwidth of up to 465 Mbps for a period of 20 years commencing from 11th April, 2001 at a total service fee of HK\$30 million which had been settled in May 2001. Under the terms of this agreement, Aionnet shall be responsible for all the payments during the term of the agreement (as amended) for charges, expenses and outgoings for the setting up, installation and linking up the connection points as designated by the Group. The total cash consideration for the services (the "broadband procurement services") to be provided by Aionnet is HK\$30,000,000. The consideration had been paid to Aionnet by the Group using the cash proceeds of HK\$30,000,000, received from One Trend Net Holdings Limited for the subscription of 433,383 Class A shares of HK\$0.10 each of the Company in May 2001. In view of uncertainties on the future inflow of economic benefits to the Group from the broadband procurement services, the underlying charge was expensed in the consolidated profit and loss account of the Group for the nine months ended 30th September, 2001. On 29th November, 2001, the Group entered into a deed with, among other parties, Aionnet, One Trend Net Holdings Limited and Gainson Limited to amend, inter alia, the term of the procurement of bandwidth from 20 years to 9 years and to reduce the bandwidth from 465 Mbps to 195 Mbps from the third year onwards.
3. The calculation of basic loss per Share is based on the Group's loss attributable to shareholders of HK\$46,635,000 (2000: HK\$90,906,000), (1999: HK\$132,000) and on the weighted average number of 4,081,356 (2000: 2,603,477), (1999: 158,951) Shares in issue during the year/period.
4. The calculation of proforma diluted loss per Share is based on the Group's loss attributable to shareholders for each of the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001 and the 481,554,000 Shares, which comprised:
 - (i) the 450,000,000 Shares deemed to be in issue throughout each of the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001 on the assumption that the Capitalisation Issue had been completed on 23rd July, 1999; and
 - (ii) the 31,554,000 Shares deemed to have been issued for no consideration upon the exercise of the options granted under the Pre-IPO Share Option Plan based on the subscription price as set out under that plan throughout each of the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS OF THE GROUP

The following is a discussion of the financial results of the Group for the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001. Such financial information has been prepared on a basis consistent with the accountants' report set out in Appendix I to this prospectus.

Overview

The Group's revenue is primarily derived from the sale of e-Education solutions, e-Business solutions and multiple access platform. For the period from 23rd July, 1999 to 31st December, 1999, the Group's revenue was mainly derived from the sale of e-Business solutions. For the year ended 31st December, 2000, there has been substantial increase in the sales of e-Education solutions to schools in Hong Kong. In year 2000, the Group also completed the development of its multiple access platform which created a new source of revenue for the Group.

FINANCIAL INFORMATION

Set out below is the breakdown of the Group's turnover, cost of sales and gross profit by business activities for the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001:

	Period from 23rd July, 1999 to 31st December, 1999 <i>HK\$'000</i>	Year ended 31st December, 2000 <i>HK\$'000</i>	Nine months ended 30th September, 2001 <i>HK\$'000</i>
TURNOVER			
e-Education solutions	Nil	2,144	1,153
e-Business solutions	1,375	6,031	3,550
Multiple access platform	Nil	792	3,459
Total	1,375	8,967	8,162
COST OF SALES			
e-Education solutions	Nil	(703)	(883)
e-Business solutions	(685)	(2,404)	(1,753)
Multiple access platform	Nil	(334)	(2,536)
Total	(685)	(3,441)	(5,172)
GROSS PROFIT			
e-Education solutions	Nil	1,441	270
e-Business solutions	690	3,627	1,797
Multiple access platform	Nil	458	923
Total	690	5,526	2,990
Gross profit ratio	50.18%	61.63%	36.63%

For the period from 23rd July, 1999 to 31st December, 1999

Turnover

For the period from 23rd July, 1999 to 31st December, 1999, the Group completed a number of project-based e-Business solutions and developed portals for various corporate enterprises. Total turnover of the Group amounted to approximately HK\$1.38 million, which was derived from the sale of e-Business solutions including the provision of system integration and professional services.

Cost of sales

Cost of sales amounted to a total of approximately HK\$0.69 million, representing approximately 49.82% of the Group's turnover for the period from 23rd July, 1999 to 31st December, 1999. It mainly comprised staff salaries. For the period from 23rd July, 1999 to 31st December, 1999, cost of sales of the Group was proportionately higher due to high production costs in the initial stage of development for various e-Business solutions.

FINANCIAL INFORMATION

Gross profit

Gross profit of the Group amounted to approximately HK\$0.69 million for the period from 23rd July, 1999 to 31st December, 1999, representing a gross profit margin of 50.18%. For the period from 23rd July, 1999 to 31st December, 1999, the Group was engaged in contracts with lower profit margins in order to build up market share in the initial stage of business.

Administrative expenses

Administrative expenses amounted to approximately HK\$0.82 million for the period from 23rd July, 1999 to 31st December, 1999 which mainly comprised of staff salaries and rental expenses of approximately HK\$0.62 million and the provision for doubtful debts of approximately HK\$0.14 million. The provision for doubtful debts was made in respect of a customer of the Group which refused to settle the Group's fees as it claimed that some data was lost in its computer server when the Group uploaded its developed software onto the server.

Other operating expenses

For the period from 23rd July, 1999 to 31st December, 1999, the Group did not have any other operating expenses.

Research and development expenses

For the period from 23rd July, 1999 to 31st December, 1999, the Group did not incur any expenses for research and development.

Loss attributable to shareholders

As a result of the foregoings, the Group had a consolidated net loss attributable to shareholders of approximately HK\$132,000 for the period from 23rd July, 1999 to 31st December, 1999.

For the financial year ended 31st December, 2000

Turnover

For the year ended 31st December, 2000, the Group achieved a substantial increase in turnover which amounted to approximately HK\$8.97 million, representing an increase of approximately 552.15% from the previous period. The increase in turnover was mainly attributable to the increase in sales of the Group's e-Business solutions to develop websites, customised systems, portals and e-commerce platforms for an increasing number of clients including governmental departments, statutory bodies, business organisations and entities in different industries including finance, property valuation, retail, manufacturing, entertainment and information technology. The sales of eCampus, eCampus Library system and Openday.com, and the launch of the Group's multiple access platform also contributed to the increase in the Group's turnover.

Cost of sales

Cost of sales comprised of hardware cost, direct labour and other production overheads and amounted to approximately HK\$3.44 million, representing approximately 38.37% of the Group's turnover during the year ended 31st December, 2000. Cost of sales for the financial year increased from approximately HK\$0.69 million for the previous period to approximately HK\$3.44 million for the year ended 31st December, 2000 attributable mainly to the increase in hardware cost and production costs as a result of the significant increase in sales of the Group's e-Business solutions as well as costs associated with the initial sales in the Group's e-Education solutions and multiple access platform.

FINANCIAL INFORMATION

Gross profit

Gross profit margin increased from 50.18% to 61.63% during the year due to the introduction of the Group's e-Education solutions and multiple access platform with high gross profit. Gross profit margin in respect of the Group's e-Business solutions increased slightly to 60.14% for the year ended 31st December, 2000 due to improved productivity and efficiency. In respect of the Group's e-Education solutions, the Group was able to achieve a high profit margin due to the management's effort in controlling the cost of sales at a low level. For the e-Education solutions and the multiple access platform, the Group achieved gross profit margins of 67.21% and 57.83% respectively for the initial sales.

Administrative expenses

For the year ended 31st December, 2000, administrative expenses amounted to approximately HK\$30.52 million. Major items of selling and administration expenses include staff salaries, promotional costs, office rental and related expenses and the provision for doubtful debts. The administrative expenses increased from approximately HK\$0.82 million for the period from 23rd July, 1999 to 31st December, 1999 to approximately HK\$30.52 million for the year ended 31st December, 2000 and was mainly due to the expansion of the Group's business. The large proportional increase in administrative expenses was the result of the deployment of more resources which included an increase in staffing costs, marketing costs, legal and professional costs. The increase was necessary to cope with the proportional increase in the turnover of business. During the year 2000, the number of technical staff employed by the Group increased from 27 to 46. In addition, there was also a provision for bad and doubtful debts of approximately HK\$2.28 million representing approximately 25.43% of the turnover of the Group, included in the administrative expenses, set aside principally against an outstanding amount owed by one of the Group's major customers which was in financial difficulty. In view of the nature of the website developed for this customer which would attract a number of viewers, the scale of the project and the further business opportunities that could potentially be generated from the project, the Group provided relatively better credit terms to this customer.

Net realised and unrealised holding loss on trading investments

During the year ended 31st December, 2000, the Company issued 267,606 Shares to HyComm in consideration of the allotment of 30,650,000 shares in HyComm. The Company disposed certain shares in HyComm during the year ended 31st December, 2000 and realised a loss of approximately HK\$53 million upon the disposal. The significant loss was attributable to the continuing decline in the market price of HyComm's shares since the acquisition of these shares by the Company. The Group also recorded unrealised holding loss of HK\$5 million on the valuation of the unsold shares in HyComm as at 31st December, 2000. The market price of the securities of HyComm on the Stock Exchange dropped over approximately 80% for the period between March 2000 and December 2000.

Other operating expenses

Other operating expenses included entertainment and overseas travelling expenses which amounted to HK\$2.16 million. Entertainment expenses of Campus Online Shanghai were high during the year ended 31st December, 2000 as it was newly opened at the time. The expenses were incurred as the sales team gradually built up its contacts to promote the Group's products and to seek potential distributors.

Finance costs

The finance costs of the Group amounted to approximately HK\$1.44 million which was attributable to interest on bank borrowings, finance leases and a loan from an Independent Third Party.

FINANCIAL INFORMATION

Research and development expenses

For the year ended 31st December, 2000, research and development expenses amounted to HK\$5.36 million which was mainly attributable to the development of new products and solutions such as OpenCampus, e-Business products such as Webproject and Webbuilder, and MAP-Village.

Loss attributable to shareholders

The Group had a consolidated net loss attributable to shareholders of approximately HK\$90.91 million for the year ended 31st December, 2000.

For the nine months ended 30th September, 2001

Turnover

For the nine months ended 30th September, 2001, the Group generated revenue of approximately HK\$8.16 million mainly derived from the sales of the Group's e-Education solutions and an increase in the sales of the Group's multiple access platform. The Directors believe that sales of the Group's e-Business solutions decreased as the budgeted expenditures for e-Business solutions were cut by many companies due to the downturn of the global economy. The Directors also believe that sales of the Group's e-Education solutions decreased as the Hong Kong Government has not yet granted the "ED5" education funding to schools in Hong Kong. The increase in sales of the Group's multiple access platform solutions for the nine months ended 30th September, 2001 was mainly attributable to the share of the gross income generated from ring-tone downloads through the implementation of the music platform for eolasia.com Limited.

Cost of sales

Cost of sales comprised hardware cost, direct labour and other production overheads and amounted to approximately HK\$5.17 million during the nine months ended 30th September, 2001. The increase in the cost of sales was mainly due to an increase in hardware cost.

Gross profit

For the nine months ended 30th September, 2001, gross profit amounted to approximately HK\$2.99 million. The Group's overall gross profit margin decreased from approximately 61.63% to approximately 36.63% mainly due to the increase in hardware and software cost. Gross profit margin in respect of the Group's e-Business solutions dropped from approximately 60.14% in the previous period to approximately 50.62% for the nine months ended 30th September, 2001. The drop of the gross profit margin was mainly due to the reduced fees charged to clients in view of the market downturn of the global economy. In relation to the Group's e-Education solutions, the Group's gross profit margin dropped from approximately 67.21% in the previous period to approximately 23.42% due to the increase in hardware and software costs from approximately HK\$0.015 million in the previous period to approximately HK\$0.44 million. For the multiple access platform, the Group's gross profit margin dropped from approximately 57.83% in the previous period to approximately 26.68% for the nine months ended 30th September, 2001 due to an increase in hardware costs from approximately HK\$0.16 million in the previous period to approximately HK\$1.0 million for the nine months ended 30th September, 2001. Hardware costs increased as the Group was required to supply additional hardware to its clients pursuant to certain contracts entered into in 2001.

FINANCIAL INFORMATION

Administrative expenses

Administrative expenses amounted to approximately HK\$23.91 million for the nine months ended 30th September, 2001 compared with approximately HK\$30.52 for the year ended 31st December, 2000. Major items of the administrative expenses comprised of staff salaries, promotional costs, office rental and related expenses and the provision of doubtful debts of HK\$0.78 million in respect of advances to a former employee of the Group and uncollectible debts on investment. Administrative expenses also included the payment of the leased line services rental and server co-location charge in Shanghai to support the proposed sale of OpenCampus which amounted to approximately HK\$1.35 million and is expected to commence in late 2001.

Research and development expenses

Research and development expenses amounted to approximately HK\$0.85 million for the nine months ended 30th September, 2001, and were attributable to the enhancement of OpenCampus, e-Business products such as Webproject and Webbuilder and voice recognition solutions. The decrease in research and development expenses from approximately HK\$5.36 million for the year ended 31st December, 2000 to approximately HK\$0.85 million for the nine months ended 30th September, 2001 was due to the completion of major products and technological developments of the Group in 2000.

Broadband procurement expense

For the nine months ended 30th September, 2001, broadband procurement expenses amounted to approximately HK\$30 million. The amount was paid to Aionnet by the Group for the procurement of network service provider(s) by Aionnet to install and implement an extensive private network platform covering 53 cities in the PRC comprising the use of a broadband backbone network with a bandwidth of up to 465 Mbps for a period of 20 years commencing from 11th April, 2001. On 29th November, 2001, the Group entered into a deed with, among other parties, Aionnet, to amend, inter alia, the term of the procurement of bandwidth from 20 years to 9 years and to reduce the bandwidth from 465 Mbps to 195 Mbps from the third year onwards.

Other operating expenses

Other operating expenses included entertainment and overseas travelling expenses amounting to approximately HK\$1.2 million, which was decreased due to tighter cost control by the Group. Other operating expenses also included amortisation of goodwill of approximately HK\$0.21 million and provision for diminution in value of investment of approximately HK\$2.35 million respectively.

Other operating revenue

For the nine months ended 30th September, 2001, other operating revenue amounted to approximately HK\$10.6 million and represented a gain on dilution of interest (i) in MAP as a result of the allotment of preference shares in MAP to an Independent Third Party, and (ii) in Campus Online Shanghai, as a result of the sales of its 7.5% equity interest to CBH Limited, which is beneficially owned by Mr. Lam Sze Chau.

FINANCIAL INFORMATION

TAXATION

The Group is subject to Hong Kong and PRC taxation. Hong Kong profits tax is calculated at the rate of 16% on estimated assessable profit arising in or derived from business carried on in Hong Kong. PRC enterprise income tax of 33% is calculated on the net operating profit of the companies which have operations in the PRC. VAT, the principal indirect PRC tax, is charged on the selling price of finished products at a general rate of 17% and, an input credit is available where by input VAT previously paid on purchase of raw materials can be used to offset the output VAT on sales to determine the net VAT payable.

However, no provision for either Hong Kong or PRC taxation had been made for the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001 as the Group had no assessable profit arising in or derived from Hong Kong and/or the PRC during the Relevant Periods.

INDEBTEDNESS

Borrowings

As at the close of business on 30th September, 2001 being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the Group had total outstanding borrowings of approximately HK\$8,827,000, comprising long-term bank loan of approximately HK\$3,252,000, short-term bank loan and overdrafts of HK\$2,546,000, other short-term loan of HK\$1,250,000 and obligations under finance lease contract of approximately HK\$1,779,000. Except for long-term bank loan, all other borrowings are repayable within one year. For details of the repayment terms of the long-term bank loan, please refer to note 5(q) under "Notes to Financial Information" in Appendix I of this prospectus.

Security

Pursuant to a loan agreement entered into by the Company and Pioneer Capital (L) Limited ("Pioneer"), an Independent Third Party, dated 16th July, 2001, Pioneer granted an interest bearing loan of HK\$1,250,000 to the Company. Interest is calculated at 1% of the loan. The loan is secured by corporate guarantees given by certain subsidiaries of the Company and is repayable in full on 15th July, 2002 together with interest. The loan was drawn down by the Company on 23rd July, 2001.

Pursuant to a finance lease agreement entered into between the Company and CIT Financial (Hong Kong) Limited, an independent leasing company, dated 11th December, 2000, the lease is secured by a joint and several guarantee given by Mr. Yu Hang Chung, Herman, COL and a director of HyComm.

Apart from the aforesaid, as at 30th September, 2001, the Group's banking facilities of approximately HK\$5.8 million were secured by the following:

- (i) personal guarantees of Mr. Yu Hang Chung, Herman for HK\$7,900,000;
- (ii) the assignment of all benefits of the keyman insurance policy totalling approximately HK\$4,001,000 in the name of Mr. Yu Hang Chung, Herman; and
- (iii) a legal charge over a property held by Ms. Lai Sin Yee, the mother of Mr. Yu Hang Chung, Herman.

FINANCIAL INFORMATION

Subsequent to 30th September, 2001, the underlying banks have agreed in principle that the above personal guarantees and charge will be released and replaced by a charge over the Company's bank deposit of HK\$1.8 million and other security and guarantees to be provided by the Group upon listing of the Shares on GEM. In addition, CIT Financial (Hong Kong) Limited has also agreed in principle that the above guarantee will be released upon listing of the Company's shares on GEM.

Contingent liabilities

As at 30th September, 2001, the Group had no material contingent liabilities.

Disclaimer

Save as aforesaid or otherwise as disclosed herein, and apart from any intra-group liabilities, none of the companies comprising the Group had any mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding at the close of the business on 30th September, 2001.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 30th September, 2001 except for an interest-free and unsecured shareholder loan of approximately HK\$1.4 million granted to the Group by Mr. Yu Hang Chung, Herman in October and November 2001. This loan is repayable upon the listing of the Shares on GEM using the net proceeds from the New Issue.

Foreign currency translation

Most of the income and expenditure of the Group were in Hong Kong dollars, and most of the assets and liabilities as at 30th September, 2001 were denominated in Hong Kong dollar and Renminbi. The Directors do not consider that the Group was significantly exposed to any foreign currency exchange risk. In its ordinary course of business, the Group has no significant exposure to foreign exchange fluctuations, as most of its purchases from third party technology suppliers and revenues from services rendered are settled and collected in Hong Kong dollars.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net current liabilities

As at 30th September, 2001, the Group had net current liabilities of approximately HK\$9,072,000, comprising total current assets of approximately HK\$8,716,000 and total current liabilities of approximately HK\$17,788,000. The current assets comprised trade receivables of approximately HK\$2,423,000, prepayments, deposits and other receivables of approximately HK\$5,333,000 and bank balances and cash of approximately HK\$960,000. The current liabilities comprised accounts payable, other payables and accruals of approximately HK\$10,917,000, current portion of long-term bank loan and obligations under finance lease of approximately HK\$3,075,000, other short-term loan of approximately HK\$1,250,000 and short-term bank loan and bank overdrafts of approximately HK\$2,546,000.

Financial resources

Since the commencement of its business, the Group has been financing its operations and met its capital expenditure requirements through equity funding, advances from shareholders, banking facilities, finance leases, loans from Independent Third Parties and operating cash flows.

FINANCIAL INFORMATION

Rules 17.15 to 17.21 of the GEM Listing Rules

The Directors have confirmed that as at the Latest Practicable Date, the Group was 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.

PROPERTY INTERESTS

Since all the Group's property interests are derived from leases, the property interests of the Group were not assigned any commercial value as at 30th September, 2001 by Sallmanns (Far East) Limited. The text of the letter prepared by Sallmanns (Far East) Limited, the summary of values and valuation certificate of the property interests leased by the Group are set out in Appendix II to this prospectus.

Properties leased by the Group in Hong Kong

The Group has leased office Units Nos. 01, 02, 03, 04 and 05 on the 28th Floor of Island Place Tower at Island Place, No. 510 King's Road, North Point, Hong Kong. These premises have a total gross floor area of approximately 10,498 sq.ft. and are currently occupied by the Group as head office. The Group has leased these units for a term of three years commencing from 1st April, 2000 to 31st March, 2003.

Properties leased by the Group in the PRC

The Group has leased an office unit in Beijing, the PRC, located at Unit M on the 9th Floor of Office Tower at Beijing New Century Hotel, No. 6 Southern Road, Capital Gym, Haidian District. The property has a gross floor area of approximately 1,206 sq.ft and is currently occupied by the Group for office purpose. The Group has rented this property for a term of one year commencing from 1st February, 2001 to 1st February, 2002.

The Group has leased two office units in Shanghai, the PRC, located at Units 04-05 on the 7th Floor of Hong Kong Plaza, Nos. 282-283 Hwai Hai Zhong Road. This property has a gross floor area of 3,326 sq.ft which is currently used by the Group for office purpose. The Group has leased the unit for a term of two years commencing from 1st September, 2000 to 31st August, 2002.

Property valuation

Sallmanns (Far East) Limited, an independent property valuer, has valued the properties which are leased and occupied by the Group and is of the opinion that they had no commercial value as at 30th September, 2001. A copy of its letter, the summary of values and valuation certificate are set out in Appendix II to this prospectus.

DIVIDENDS AND WORKING CAPITAL

Dividends

The Directors currently do not expect to recommend payment of any dividends for the year ending 31st December, 2001.

Working capital

Taking into account the net proceeds from the New Issue, the expected cash flows from operations and available banking facilities, the Directors believe that the Group has sufficient working capital to meet its present requirements.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

As at 30th September, 2001 the Company had no reserves available for distribution to the shareholders of the Company.

ADJUSTED NET TANGIBLE ASSETS

The following statement of adjusted net tangible assets of the Group is based on the audited net assets of the Group as at 30th September, 2001 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below:

	<i>HK\$'000</i>
Audited net assets of the Group as at 30th September, 2001	719
Estimated net proceeds from the New Issue	<u>40,000</u>
Adjusted net assets	40,719
Less: Goodwill (see <i>note 5(k)</i> of the Accountants' Report)	<u>(2,856)</u>
Adjusted net tangible assets	<u><u>37,863</u></u>
Adjusted net tangible asset value per Share (<i>Note</i>)	<u><u>HK\$0.063</u></u>

Note: The adjusted net tangible asset value per Share has been arrived at after making the adjustments referred to in this section and on the basis of a total of 600,000,000 Shares in issue immediately following completion of the Placing and the Capitalisation Issue but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option, the options granted or to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in this prospectus, the Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 30th September, 2001 (being the date to which the latest audited combined financial statements of the Group were made up).

FUTURE PLANS AND PROSPECTS

FUTURE PLANS AND PROSPECTS

With the advance of the new information technology era, there is a growing need for education institutions and business entities to respond to the impact of the changing environment by integrating Internet technologies in the management of information, the sharing of resources and the conduct of daily operations.

The official endorsement in both Hong Kong and the PRC of a policy to implement IT in education is expected to generate substantial demand for e-Education solutions that introduce an interactive way of communication among students, teachers, parents and schools and innovative approaches in resources sharing and management. Internet technological advances have increasingly led business entities and professional organisations to explore opportunities of providing Internet-based applications and services both within the organisations and externally to customers and business partners. The Directors have also identified voice and wireless Internet enabling solutions to be one of the fastest growing areas in Internet applications.

It is the mission of the Group to become the leading Internet technology and platform provider in the Asia Pacific region with a focus on e-Education solutions, e-Business solutions and multiple access platform. The Group aims to attain its mission through implementing the following strategies:

e-Education solutions

Expand geographical coverage

The Group intends to build on its established position in the Hong Kong market to develop the PRC market. It is a core development strategy of the Group to expand its market coverage in the provision of e-Education platform in the PRC market. Given the PRC government's policy to introduce quality education in the PRC, the Group intends to gain significant market share in the PRC by the first quarter of 2002 in order to capitalise on the anticipated increase in government allocation of education funds in the PRC.

- *Offer the OpenCampus solution in the PRC*

The major e-Education solution to be promoted by the Group in the PRC is the OpenCampus solution. The Group plans to offer the OpenCampus solution to primary and secondary schools in a number of provinces, cities and certain districts such as Sichuan Province, Yubei district in Chongqing, and cities of Baoding and Jiaozuo in the PRC by the first quarter of 2002. The Directors consider that the ASP model, which does not require substantial initial set-up costs and significant internal technical support and system maintenance on an ongoing basis, is particularly suited to the PRC market.

- *Appoint local agents as distributor or reseller in selected regions*

In order to achieve effective geographical coverage in the PRC, the Group intends to appoint local agents as the distributor or reseller of the Group's e-Education platform in selected regions in the PRC.

FUTURE PLANS AND PROSPECTS

- *Co-operative arrangements with hardware vendors*

The Group also intends to collaborate with other hardware vendors to promote and market the e-Education platform of the Group in package bundled with the vendors' hardware products. The Directors consider that this form of co-operative arrangement allows the Group to take advantage of the solution vendors' established brand name. Successful market penetration of the Group's e-Education platform is also expected to boost the user base of Openday.com.

- *Explore other markets in the Asia Pacific region*

The Group is currently focusing on the development of the PRC market and plans to explore other markets in the Asia Pacific region including Singapore and Malaysia when the markets in Hong Kong and the PRC are relatively saturated. The Group has established business connections with companies in the region. For example, the Group has appointed an independent distributor in Singapore to promote its e-Education solutions in both Singapore and Malaysia.

Product development and enhancement

An important product development direction of the Group is in the area of distance learning and training solutions and the development of OpenCampus.

- *Collaboration with Gilat for the development of e-learning solutions*

In December 2000, the Group was appointed the non-exclusive value-added service reseller of Gilat, an Independent Third Party, in respect of its e-learning related software in Hong Kong and the PRC for the period from 12th December, 2000 to 30th December, 2001 and the agreement between the parties is renewable on a yearly basis. The agreement is expected to be renewed prior to the expiry of the current term. Gilat, a company listed on NASDAQ, is a global leader in e-learning solutions which support two-way interactive data, audio and video transmission. In April 2001, the Group completed the localisation of Gilat's e-learning platform for the support of simplified Chinese characters. The Directors believe that the collaboration with Gilat will further enhance the product development capability of the Group, especially in the development of distance learning products.

- *Customisation of e-learning solutions for corporate training*

The Group plans to customise Gilat's e-learning platform for development of corporate training solutions which will be targeted at large corporations for internal training purposes. The corporate training solution will be configured along the ASP model supported by a data storage centre, hardware and application software. The Directors believe that the corporate training solution will provide an efficient and cost effective way in providing training to the employees of corporate entities.

- *Continue the development of OpenCampus*

The Group plans to continue the development of OpenCampus and create customised applications which can be adapted to the OpenCampus platform. The Group also plans to develop a "multi-media learning centre" which is a system designed for the classroom environment and allows a teacher to teach and monitor the work of a number of students simultaneously.

- *Enhancement of features of existing products*

The Group will continue to enhance the features of eCampus and OpenCampus. New features will include courseware development, project collaboration and other additional school administration functions.

FUTURE PLANS AND PROSPECTS

e-Business solutions

Product development

The Group will continue to leverage on its broad project implementation experience in different industries to develop generic products that introduce Internet applications to various aspects of business operations.

- *Introduce applications for specific industries*

The Group, after the development of a product that has core applications, intends to introduce vertical versions of the product to cater for applications in specific industries or sectors. Vertical versions of webproject customised for different professions will also be developed. The Group will conduct feasibility studies and research on the industry requirements of, for example, accounting, architectural and property surveyor professions, construction, design and advertising industries.

- *Complete the development of an online three-way communication channel product for logistics management*

Another major product in the development pipeline is webchannel which is designed to provide an online three-way communication channel between user companies and their buyers and suppliers to facilitate business operations and logistics management. Webchannel allows companies to designate unique content and user right to each user group so that users can access and update information specific to the assigned group. The Directors anticipate that webchannel will be launched by the second quarter of 2002.

- *Develop customised web-based products for different business entities*

The Directors perceive that there will be a growing need for listed companies to take advantage of Internet technologies for information dissemination to investors and the general public. In order to capture this market, the Group has developed a customised version of webbuilder catered for companies listed on the Stock Exchange. The Group will continue to develop other web-based products for different business entities in a diverse range of industries.

Establish distribution channels

The Directors consider that the establishment of an extensive distribution network is crucial to the successful commercialisation of its e-Business products. The Directors believe that the Group's business alliances can assist the Group in extending the market coverage of the Group's products as this mode of sale allows the Group to benefit from the distribution network of the business partner.

- *Product bundling with hardware vendors and ASP providers*

The Group seeks to identify suitable hardware/software vendors in order to offer a bundled package to customers. As the Group's e-Business products can also be configured along the ASP model, the Group plans to collaborate with other ASP providers for the licensing and hosting of its products.

- *Identify suitable distribution partners for the direct sales of e-Business products*

The Directors expect that there will be demand for its e-Business products, in particular, webbuilder in the PRC. The Group has established offices in Beijing and Shanghai and the Group intends to take advantage of these facilities to identify suitable distribution partners for and to handle direct sales of its products.

FUTURE PLANS AND PROSPECTS

Multiple access platform

Extend market coverage

By leveraging on the Group's lead in the technology industry, the Directors believe that the Group is strongly positioned to achieve broad market acceptance of its multiple access platform.

- *Build up market share by targeting specific industries*

The Group intends to build up its market share by targeting its services initially at specific industries such as telecommunications, finance, entertainment and information technology sectors. The Group's multiple access platform enables telecommunication carriers to offer mobile-Internet value added services integrated with voice-based applications to their subscribers. Voice application technologies are also expected to become increasingly in demand for portals. The Directors intend to penetrate into the PRC market by introducing solutions to these sectors.

- *Forge alliances with ASP providers and portals to promote the Group's solutions*

The Group considers that there will be immense business opportunities from corporate entities which are striving to build and improve their customer and business partner service infrastructure. The Group's multiple access solutions offer business entities a convenient and user-friendly solution at a competitive price to leverage on the Internet and telecommunications infrastructure to interact with their customers and business partners. In order to accelerate its access to a broad corporate client base, the Group intends to forge strategic alliances with ASP providers and portals that have significant corporate user base for the purposes of promoting the Group's solutions.

- *Expand into the Asia Pacific market*

The Group intends to expand into other Asian markets including Japan and Korea with the support from HTC Partners, L.P., the strategic investor of MAP, a subsidiary of the Group engaged in the development of its multiple access platform.

Technological enhancement

Given that voice and wireless Internet enabling technologies are at an early stage of development, more sophisticated technologies, in particular, those involving speech recognition are expected to be introduced to the market.

- *Further develop speech recognition technologies*

Although basic speech recognition technology is capable of automating certain specialised applications, such as data entry and retrieval, its widespread use has been constrained by technical limitations. Technological advancements in recent years have and will, in the Directors' belief, continue to support a higher degree of speech recognition accuracy. In order to maintain its leading edge, the Group aims to continue to forge alliances with suitable technological partners.

FUTURE PLANS AND PROSPECTS

- *Commit resources in the research and development of voice and wireless enabling technologies*

The Group plans to continue to commit its resources in the research and development of voice and wireless enabling technologies and the integration of its solutions with the products of its technological partners. The Group will also continue to enhance the existing applications of its multiple access solutions by improving their usability and effectiveness and introduce new applications to its multiple access platform and to new devices.

Pursue technological alliances and strategic investments

With the rapid development of Internet enabling technologies, strategic alliances and investments may be an important way of keeping abreast of the latest Internet technologies and ensuring that the Group maintains its competitive edge.

- *Technological alliances with existing and new technological partners*

As part of its growth strategy, the Group intends to enhance its relations with its existing alliance partners and forge new alliances by entering into technological arrangements and joint promotions. These alliances provide infrastructural and technological support to the Group. In relation to its e-Business solutions, the Group will continue to collaborate with technological partners through different cooperation methods such as establishing joint ventures and participating in joint promotion activities in order to provide comprehensive solutions to address evolving business needs to integrate Internet technologies in customer relationship management, logistics management, and other aspects of business operations.

- *Invest in businesses complementary to the Group's Internet enabling technologies business*

The Group may encounter opportunities to make acquisitions or investments which are complementary to the Group's Internet enabling technologies business. The Group intends to position itself at the cutting edge of Internet technology through these investments which could enhance the Group's product development capability and create synergies with the existing business of the Group.

The Group has not presently identified any specific new technological alliance partners or investment targets.

Strategic partnership with Aionnet

Aionnet is a telecommunications services provider which provides wholesale dedicated broadband Internet access services in Hong Kong. Through certain alliances between Aionnet and its affiliates, with a major telecommunications service provider and an Internet network provider in the PRC, the Directors believe that Aionnet is also able to procure Internet access services in the PRC.

In April 2001, the Group entered into an agreement (the "Procurement Agreement") with Aionnet and One Trend Net Holdings Limited, pursuant to which Aionnet has agreed to procure network service provider(s) in the PRC to install and implement an extensive private network platform covering 53 cities in the PRC comprising the use of a broadband backbone network with a bandwidth of up to 465 Mbps for a period of 20 years commencing from 11th April, 2001 at a total service fee of HK\$30 million. The total service fee in respect of the use of the broadband network had been settled in May 2001.

FUTURE PLANS AND PROSPECTS

On 29th November, 2001, the Group entered into a deed with, among other parties, Aionnet, One Trend Net Holdings Limited and Gainson Limited to amend, inter alia, the term of the procurement of bandwidth from 20 years to 9 years and to reduce the bandwidth from 465 Mbps to 195 Mbps from the third year onwards. Under the new arrangement, an extensive private network platform covering 53 cities in the PRC will continue to be made available to the Group through Aionnet's broadband procurement services. Gainson Limited acquired 433,383 Shares from One Trend Net Holdings Limited at a consideration of HK\$43,338.30 on 30th November, 2001, which together with an additional consideration of HK\$22,956,661.70 payable on the day after all the conditions for the listing of the Company have been satisfied (which is expected to be on 21st December, 2001), amounts to an aggregate consideration of HK\$23,000,000. To the extent that the market capitalisation of the Shares held by Gainson Limited at the time of the listing of the Shares on GEM when multiplied by the Offer Price is less than HK\$23,000,000, the Company shall allot and issue such number of Shares to Gainson Limited, credited as fully paid, so as to maintain the market capitalisation of its shareholding in the Company at HK\$23,000,000 at such time. Based on an independent valuation opinion, the Directors consider that the amendment of the term of the procurement of bandwidth and the reduction of the bandwidth are fair and reasonable and in the interests of the shareholders of the Company. The charge for the broadband procurement services was expensed in the consolidated profit and loss account of the Group for the nine months ended 30th September, 2001. As at the Latest Practicable Date, the Group had entered into co-operative agreements with Great Wall and 重慶市渝北區電化教育中心 (Chongqing Yubei District Electronic Education Centre) in relation to the sale of the Group's e-Education solutions which are expected to utilise the broadband procurement services. The Group has not yet utilised the broadband procurement services and has not yet finalised any related contracts at the present stage.

Under the Procurement Agreement (as amended), Aionnet has a contractual commitment to fulfil its obligations. If however, Aionnet fails to perform its duties under or otherwise breaches the Procurement Agreement, the Company may elect to terminate it. In such event, Aionnet is required to repay the balance of the consideration to the Company, or at the election of Aionnet, Gainson Limited is required to dispose of certain number of Shares acquired by Gainson Limited from One Trend Net Holdings Limited and pay the proceeds of such disposal to the Company.

Under the deed, One Trend Net Holdings Limited has been released from its rights and obligations under the Procurement Agreement and the share subscription agreement, as mentioned in paragraph (i) in the section headed "Summary of material contracts" in Appendix IV to this prospectus, and the Company has agreed to accept the liability of Gainson Limited to perform the obligations originally assumed by One Trend Net Holdings Limited under these agreements.

The Directors believe that the strategic alliance with Aionnet will provide synergies to the Group on a number of different levels.

- *Delivery of OpenCampus in the PRC*

Complementing the distribution and implementation of the OpenCampus and other e-Education solutions in the PRC, the Group will have the capability to deliver multi-media educational content, which the Group intends to source from Independent Third Parties in the PRC to primary and secondary schools throughout 53 cities in the PRC including major cities in the PRC such as Beijing, Shanghai, Shenzhen, Wuhan, Guangzhou and Xiamen by making use of the broadband network to be procured by Aionnet.

- *Product bundling for the Group's e-Business products*

Leveraging on the Group's alliance with Aionnet, the Group will be able to bundle its e-Business products together with Aionnet's bandwidth leasing services for business entities in the PRC. As the Group's e-Business products can be configured along the ASP model, the product bundling will enable the Group to provide its products at discounted prices under joint marketing arrangements.

FUTURE PLANS AND PROSPECTS

- *Facilitate the development of the multiple access platform*

In respect of the Group's multiple access platform, the Group will be able to take advantage of the fast Internet backbone access to be provided by Aionnet to facilitate the deployment of the platform to serve various specific industries. The Directors believe that the Group's expertise in the design and deployment of the multiple access platform coupled with the availability of backbone network to be procured by Aionnet in the PRC will ensure ample opportunities for the Group to expand in the voice and wireless Internet market in the PRC.

MILESTONES

In light of the future plans of the Group, the Group intends to implement the following milestones from the Latest Practicable Date to 31st December, 2003. Investors should note that the following milestones and their respective scheduled times for attainment are formulated on the assumptions as set out under the paragraph headed "Bases and assumptions" below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular, the risk factors set out in the section headed "Risk factors" of this prospectus. In addition, many if not all of these assumptions are untested and accordingly, may turn out to be invalid.

Furthermore, the business objectives of the Group mentioned in this section are based on existing plans and intentions of the Group which are in turn based on the Directors' estimate of market trend and demand. Accordingly, the Group's actual course of action during the relevant period may vary from the intentions and plans set out below. Although the Directors will endeavour to execute such plans in accordance with the following scheduled timeframe, there can be no assurance that the plans of the Group will materialise, result in the conclusion of any agreement or be executed in accordance with the business objectives of the Group.

For the period from the Latest Practicable Date to 31st December, 2001

	e-Education platform product development	e-Business solutions product development	Multiple access platform	Sales and marketing	Investments/ Alliances	Resources employment
	develop the simplified Chinese version of OpenCampus	customise e-Business products	complete the development of the multiple access music station	organise seminars in Hong Kong	identify potential strategic investments identify alliances with hardware vendors and content providers	establish an office in Shenzhen
Use of net proceeds of the Placing	HK\$0.1 million	HK\$0.2 million	HK\$0.2 million	HK\$0.1 million	nil	HK\$0.2 million

FUTURE PLANS AND PROSPECTS

For the period from the 1st January, 2002 to 30th June, 2002

	e-Education platform product development	e-Business solutions product development	Multiple access platform	Sales and marketing	Alliances/ Co-operations	Resources employment
	enhance the simplified Chinese version of OpenCampus	launch webproject version 2.0	develop the multiple access payment application	participate in/organise exhibitions and seminars in Hong Kong	invest in identified strategic investments	employ 2 technical staff and 1 sales and marketing staff
	commence the research and development of distance learning solutions	launch webbuilder version 2.0		organise a press conference in Shenzhen to promote the Group's products	establish alliances with hardware vendors in the PRC	
		launch the "reporting system" for webproject		organise seminars for the Group's products		
				organise joint marketing activities with content providers for the promotion of the multiple access platform		
				expand the sales team in Shanghai		
Use of net proceeds of the Placing	HK\$0.5 million	HK\$0.7 million	HK\$1.5 million	HK\$0.3 million	HK\$6.0 million	HK\$0.1 million

FUTURE PLANS AND PROSPECTS

For the period from 1st July, 2002 to 31st December, 2002

	e-Education platform product development	e-Business solutions product development	Multiple access platform	Sales and marketing	Alliances/ Co-operations	Resources employment
	develop new e-commerce applications	upgrade e-Business products including webbuilder, webproject and webchannel	commence the development of the voice web server	participate in/ organise exhibitions and seminars in Hong Kong	establish alliances with ERP, CRM and logistic system providers for the e-Business solutions	establish an office in one of the major cities in the PRC
	develop an online school supplies system in the PRC	integrate multi-lingual technology and multiple access to the e-Business products	launch the multiple access payment application	organise a press conference in Beijing to promote OpenCampus	establish an alliance with a network infrastructure provider for the joint promotion of the grabbing and transcoding engine	employ 2 additional software engineers, 1 additional web designers, 2 operation staff and 3 additional sales and marketing staff
	commence the integration of a new data management system into OpenCampus			marketing activities to promote the voice portal to different industry sectors		
				expand the sales team in Beijing		
Use of net proceeds of the Placing	HK\$1.9 million	HK\$0.7 million	HK\$1.5 million	HK\$0.4 million	HK\$6.0 million	HK\$0.6 million

FUTURE PLANS AND PROSPECTS

For the period from 1st January, 2003 to 30th June, 2003

	e-Education platform product development	e-Business solutions product development	Multiple access platform	Sales and marketing	Alliances/ Co-operations	Resources employment
	launch version 2 of OpenCampus	continue to upgrade e-Business products including webbuilder, webproject and webchannel	continue the development of the voice web server	participate in/ organise exhibitions and seminars in Hong Kong	establish alliances with major internet browser providers	establish an office in one of the major cities in the PRC
	develop the multiple language version of Openday.com		commence the deployment of voice XML applications	organise a press conference for the launch of the OpenCampus Version 2.0 and multiple language version of Openday.com	establish alliances with companies in the banking and finance industry to develop voice applications for these companies	employ 2 additional software engineers, 1 additional web designer, 2 operation staff and 1 sales and marketing staff
	continue the integration of a new data management system into OpenCampus	integrate ERP, CRM and logistics systems with the e-Business products including webbuilder, webproject and webchannel	enhance the multiple access payment application			
Use of net proceeds of the Placing	HK\$1.7 million	HK\$0.8 million	HK\$1.9 million	HK\$0.7 million	HK\$0.3 million	HK\$0.5 million

FUTURE PLANS AND PROSPECTS

For the period from 1st July, 2003 to 31st December, 2003

	e-Education platform product development	e-Business solutions product development	Multiple access platform	Sales and marketing	Alliances/ Co-operations	Resources employment
	upgrade Openday.com	upgrade e-Business products including webbuilder, webproject and webchannel	continue the development of the voice web server	participate in/ organise exhibitions and seminars in Hong Kong	establish alliances with a tele-communications provider for the Group's products	establish an office in one of the major cities in the PRC
	develop new e-commerce applications		continue the deployment of voice XML applications	participate in overseas exhibitions and seminars		employ 2 additional software engineers, 2 additional web designers, 2 operation staff, and 2 sales and marketing staff
	complete the integration of a new data management system into OpenCampus	integrate the e-Business products with a major Internet browser				
Use of net proceeds of the Placing	HK\$1.7 million	HK\$0.8 million	HK\$1.9 million	HK\$0.7 million	HK\$0.3 million	HK\$0.5 million

FUTURE PLANS AND PROSPECTS

BASES AND ASSUMPTIONS

The Directors have adopted the following assumptions in the preparation of the statement of business objectives and the milestones for the period from the Latest Practicable Date to 31st December, 2003.

The Company

1. The Group's products and advanced technologies will be developed and implemented as planned.
2. There will be no shortage of technical staff in the industries in which the Group operates.

Market situation

3. There will be continuous growth of Internet usage.
4. There will be increasing demand for the Group's e-Education platform, e-Business products and multiple access platform.

Strategic alliances and partnerships

5. The Group will be able to maintain its business relationships with distribution and technological partners and other strategic alliances.
6. The Group will be able to maintain and form new alliances with PRC governmental departments and professional organisations.

Legal and regulatory environment

7. There will be no legal or regulatory restrictions for the Group to conduct business in Hong Kong.
8. There will be no changes in the existing political and legal restrictions for the Group to conduct business in the countries in which the Group intends to expand its business.

REASONS FOR THE NEW ISSUE AND USE OF PROCEEDS

The Directors believe that the net proceeds from the New Issue will provide the Group with financial resources for upgrading and enhancing its existing products and developing new products. The net proceeds will also assist the Group in accelerating the expansion of its distribution network and market coverage in the Asia Pacific region, particularly in the PRC.

The proceeds from the New Issue, after deducting related expenses, are estimated to be approximately HK\$40.0 million based on the Offer Price of HK\$0.50 (on the basis that the Over-allotment Option is not exercised). The Directors currently intend to apply the net proceeds from the New Issue (on the basis that the Over-allotment Option is not exercised) as follows:

- as to approximately HK\$5.9 million, for the development of the Group's e-Education solutions including distance learning solutions, e-Education applications and further development of OpenCampus and Openday.com;

FUTURE PLANS AND PROSPECTS

- as to approximately HK\$3.2 million, for the development of the Group's e-Business solutions including enhanced and customised versions of the existing e-Business products and integration into its solutions with various technologies;
- as to approximately HK\$7.0 million, for the development of the Group's multiple access platform including a voice web server, multiple access payment application and voice XML applications;
- as to approximately HK\$2.2 million, for brand building and marketing activities;
- as to approximately HK\$12.6 million, for the building of strategic alliances through joint promotion arrangements and joint development of certain technologies and strategic investments;
- as to approximately HK\$1.9 million, for the employment of additional staff and the set up of offices in the PRC; and
- as to approximately HK\$5.8 million, as general working capital of the Group of which approximately HK\$3.0 million will be used for the rental of office premises and approximately HK\$2.8 million will be used for staffing costs and;
- as to approximately HK\$1.4 million, for the repayment of a shareholder's loan.

Should the Over-allotment Option be exercised in full, the Company will receive additional net proceeds of approximately HK\$10.9 million which the Directors intend to be applied as follows:

- as to approximately HK\$2.6 million, for the development of the Group's e-Education solutions;
- as to approximately HK\$1.0 million, for the development of the Group's e-Business solutions;
- as to approximately HK\$2.2 million, for the development of the Group's multiple access platform;
- as to approximately HK\$0.5 million, for brand building and marketing activities;
- as to approximately HK\$3.0 million for the building of strategic alliances and strategic investments through joint promotion arrangements and joint development of certain technologies and strategic investments; and
- as to approximately HK\$1.6 million, as general working capital of the Group, all of which will be used for administrative expenses.

To the extent that the net proceeds from the New Issue are not immediately applied for the above purposes, the Directors intend to place such net proceeds on short term deposits with financial institutions in Hong Kong.

UNDERWRITING

UNDERWRITERS OF THE PLACING

Kingston Securities Limited
GC Capital (Asia) Limited
Deloitte & Touche Corporate Finance Ltd
Prudence Securities Company Limited
Hantec Securities Company Limited
Core Pacific-Yamaichi International (H.K.) Limited
Sun Hung Kai International Limited
SBI E2-Capital Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

The Company is offering the New Shares for subscription and the Vendor is offering the Sale Shares for sale, in each case by way of the Placing at the Offer Price. In addition, the Company has granted the Over-allotment Option to the Lead Manager exercisable by it at any time from the date of this prospectus up to 16th January, 2002 to require the Company to issue up to an aggregate of 22,500,000 additional new Shares, representing 15% of the Placing Shares to cover over-allocations in the Placing, if any.

Subject to the GEM Listing Committee granting listing of, and permission to deal in, the Shares (subject only to allotment) on or before 21st December, 2001 (or such later date as the Sponsor on behalf of the Lead Manager and the Underwriters may agree in writing with the Company) and to certain other conditions set out in the Underwriting Agreement being satisfied by the times referred to in the Underwriting Agreement, the Underwriters have severally agreed to subscribe/purchase or procure places to subscribe/purchase the Placing Shares according to their respective underwriting commitment.

Grounds for termination

The Lead Manager (for itself and on behalf of the Sponsor and the Underwriters) is entitled to terminate the Underwriting Agreement by notice in writing to the Company and the Vendor, which may be given at any time up to 5:00 p.m. on the day immediately preceding the Listing Date upon occurrence of the following events at or prior to such time:

- (i) there shall develop, occur or come into effect:
 - (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or applications thereof by any court or other competent authority, which in the absolute opinion of the Lead Manager on behalf of the Underwriters has or may have a material adverse effect on the business or financial conditions or prospects of the Group taken as a whole; or
 - (b) any change in Hong Kong, the PRC, Asia, national, regional or international financial, political, military, industrial or economic conditions or prospects; or
 - (c) any change in the conditions of the Hong Kong or international securities markets (or in conditions affecting a sector only of such market) including, for the avoidance of doubt, any significant adverse change in the index level or volume of turnover of any such markets; or
 - (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

UNDERWRITING

- (e) a change or development involving a prospective change in Hong Kong, the British Virgin Islands, the PRC or other jurisdiction in taxation or exchange controls which will or can reasonably be expected to materially and adversely affect the Group as a whole or the present or prospective shareholders of the Company in their capacity as such; or
- (f) the imposition of economic sanctions, withdrawal of trading privileges, embargo, restraint or prohibition of import and export, in whatever form, by the US or the European Union (or any member thereof) on Hong Kong or the PRC;

and any such event, in the absolute opinion of the Lead Manager (on behalf of the Underwriters), has or may have a material adverse effect on the success of, or makes it inadvisable or inexpedient to proceed with the Placing; or

- (ii) there comes to the notice of the Sponsor, the Lead Manager and/or the Underwriters any matter or event showing any of the representations and warranties contained in the Underwriting Agreement to be untrue or inaccurate or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect considered by the Lead Manager (on behalf of the Underwriters) to be material or showing any of the undertakings contained in the Underwriting Agreement or other obligations or undertakings expressed to be assumed by or imposed on the Company, the Vendor, the initial management shareholders named in the Underwriting Agreement, and the executive Directors under the Underwriting Agreement not to have been complied with in any respect considered by the Lead Manager to be material; or
- (iii) any material statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any respect; or
- (iv) matters have arisen or have been discovered which would, if this prospectus was to be issued at that time, constitute a material omission therefrom; or
- (v) there is any adverse change in the business or in the financial or trading position or prospects of any member of the Group which in the absolute opinion of the Lead Manager (on behalf of the Underwriters) is material in the context of the Placing.

Undertakings

Under the Underwriting Agreement,

- (i) each of the Initial Management Shareholders, Mr. Ng Hoi Kam and Mr. Li Chun Wan severally undertakes to and covenants with the Company, the Sponsor, the Lead Manager and the Underwriters that:
 - (a) she, he or it shall not and shall procure that none of her, his or its associates (as defined in the GEM Listing Rules) and the companies controlled by her, him or it or nominees or trustees holding in trust for her, him or it shall sell, transfer or otherwise dispose of (or enter into any agreement to dispose of), save pursuant to a pledge or charge to an authorised institution under the Banking Ordinance as security for a bona fide commercial loan, any of its, his or her Relevant Securities or any interests therein, or any shares held directly or indirectly by her, him or it or her, his or its associates, in any company controlled by her, him or it which is the beneficial owner of any of the Relevant Securities or interests nor permit the registered holder to dispose of (or enter

UNDERWRITING

into any agreement to dispose of) any of her, his or its direct or indirect interest in the Relevant Securities during a period of 12 months from the Listing Date;

- (b) she, he or it shall enter into an escrow agreement with an escrow agent acceptable to the Stock Exchange and the Sponsor and place in escrow, with such escrow agent, her, his or its Relevant Securities during the restriction period applicable to her, him or it as referred to in sub-paragraph (a) above.
 - (c) for a period commencing on the date when the restriction under sub-paragraph (a) above applicable to her, him or it lapses and ending on 31st December, 2003, she, he or it shall not and shall procure that none of her, his or its associates and companies controlled by her, him or it or nominees or trustees holding in trust for her, him or it will, without the prior written consent of the Sponsor on behalf of the Lead Manager and the Underwriters (such consent not to be unreasonably withheld or delayed), sell, transfer or dispose of, save pursuant to a pledge or charge to an authorised institution under the Banking Ordinance as security for a bona fide commercial loan, any Relevant Securities or any interests therein or sell, transfer, dispose of, save pursuant to a pledge or charge to an authorised institution under the Banking Ordinance as security for a bona fide commercial loan, any shares in any company controlled by her, him or it which is the beneficial owner of such Relevant Securities if, immediately following such sale, transfer or disposal, any of them either individually or taken together with the others of them, would cease to be a controlling shareholder (within the meaning of the GEM Listing Rules) of the Company.
- (ii) each of the Initial Management Shareholders, Mr. Ng Hoi Kam and Mr. Li Chun Wan also severally undertakes to and covenants with the Company, the Sponsor, the Lead Manager and the Underwriters that:
- (a) in the event that she, he or it disposes of her, his or its Relevant Securities after the restriction under paragraph (i) above applicable to her, him or it lapses, all reasonable steps will be taken to ensure that such disposal will not create a false or disorderly market in the Shares; and
 - (b) in the event that she, he or it pledges or charges any direct or indirect interest in the Relevant Securities or in any shares in any company controlled by her, him or it which is the beneficial owner of the Relevant Securities within a period commencing on the date of the Underwriting Agreement and ending on the date when the restriction under paragraph (i) applicable to her, him or its lapses, she, he or it must inform the Company and the Sponsor and the Lead Manager immediately thereafter, disclosing to the Company, the Sponsor and the Lead Manager the details of such pledge or charge including the number and class of securities being pledged or charged and the purpose for which the pledge or charge is made and in the event that she, he or it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest, of such disposal or such intention to dispose and the number of securities affected.

The Company undertakes to and covenants with the Sponsor and the Underwriters that, and each of the Initial Management Shareholders, Mr. Ng Hoi Kam, Mr. Li Chun Wan and the executive Directors undertakes and covenants with the Sponsor, the Lead Manager and the Underwriters to procure, without the prior written consent of the Lead Manager on behalf of the Underwriters (such consent not to be unreasonably withheld or delayed), that the Company will not, save pursuant to the Placing, the grant of any options under the Share Option Scheme issue Shares pursuant to the

UNDERWRITING

Capitalisation Issue, the exercise of the Over-allotment Option, or the exercise of any option granted or to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme or any capitalisation issue or any consolidation, sub-division or capital reduction of Shares or by way of scrip dividend schemes or other similar arrangement in accordance with the articles of association of the Company: (a) within the period of six months from the Listing Date, issue or agree to issue any shares or any other securities in the Company or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for, Shares or any other securities of the Company; and (b) at any time during the period of 12 months from the Listing Date, unless permitted by the GEM Listing Rules, issue any shares or securities in the Company or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into or exchange for Shares or securities in the Company so as to result in the Initial Management Shareholders, Mr. Ng Hoi Kam and Mr. Li Chun Wan either individually or taken together with the others of them cease to be a controlling shareholder (within the meaning of the GEM Listing Rules) of the Company.

Each of the Company, the Initial Management Shareholders, Mr. Ng Hoi Kam and Mr. Li Chun Wan and the executive Directors undertakes to and covenants with the Sponsor, the Lead Manager and the Underwriters that save with the prior written consent of the Sponsor on behalf of the Underwriters (such consent not to be unreasonably withheld or delayed), no company in the Group will within the period of six months from the Listing Date purchase any Shares or any other securities of the Company.

Commission and expenses

The Underwriters will receive a commission of 2.5% of the Offer Price per Placing Share, out of which they will pay any sub-underwriting commissions and selling concessions. The Sponsor will also receive an advisory and documentation fee. Such commissions, documentation fees and expenses, together with the Stock Exchange listing fees, legal and other professional fees, and printing and other expenses relating to the Placing, which are estimated to amount in aggregate to approximately HK\$14 million, will be payable by the Company and the Vendor in the proportions of 90% to 10%. In addition, the Stock Exchange trading fees and the SFC transaction levy in respect of the New Shares shall be borne by the Company solely. The Vendor shall be solely responsible for any fixed transfer duty, ad valorem seller's stamp duty in respect of the sale and transfer of the Sale Shares, the Stock Exchange trading fees and the SFC transaction levy in respect of the Sale Shares.

Sponsor's and Underwriters' interests in the Company

Save for (i) the obligations and interests of the Sponsor, the Lead Manager and the Underwriters under the Underwriting Agreement; (ii) the advisory and documentation fee payable to the Sponsor as sponsor to the Placing; (iii) the Sponsor's interests under the sponsor agreement to be made between the Sponsor and the Company whereby the Sponsor will be retained as sponsor of the Company up to 31st December, 2003 for the purposes of the GEM Listing Rules; (iv) the grant by the Company of the Over-allotment Option to the Lead Manager; and (v) the obligations and interests of the Lead Manager under the Stock Borrowing Agreement, none of the Sponsor, the Lead Manager and the Underwriters has any shareholding interests in the Group nor any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares in any member of the Group nor any interest in the Placing.

STRUCTURE OF THE PLACING

PRICE PAYABLE ON SUBSCRIPTION

The Offer Price is HK\$0.50 per Placing Share. In addition to the Offer Price, applicants will be required to pay a brokerage fee at the rate of 1% of the Offer Price, a Stock Exchange trading fee of 0.005% of the Offer Price and SFC transaction levy of 0.007% of the Offer Price and an amount representing buyer's ad valorem duty of 0.1% of the Offer Price applicable to the number of Sale Shares allocated to successful applicants. For this purpose, 29.84% of the Shares allocated to each applicant will be treated as being Sale Shares and accordingly, the effective rate of buyer's ad valorem stamp duty, when expressed by reference to all Shares allocated to each applicant will be 29.84% of 0.1% of the Offer Price (ie 0.02984% of the Offer Price).

THE PLACING

The Placing comprises 105,240,000 New Shares offered by the Company for subscription and 44,760,000 Sale Shares offered by the Vendor for sale. The Placing is fully underwritten by the Underwriters subject to the terms and conditions of the Underwriting Agreement. Pursuant to the Placing, the Placing Shares will be conditionally placed to professional, institutional and private investors by the Underwriters or through selling agents appointed by them at the Offer Price.

Allocation of Placing Shares to professional, institutional and other investors pursuant to the Placing is based on a number of factors including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further Shares, or hold or sell its Shares, after the listing of the Shares on GEM. Such allocation is generally intended to result in a distribution of the Placing Shares on a basis which will lead to the establishment of a broad shareholder base to the benefit of the Group and its shareholders as a whole.

CONDITIONS OF THE PLACING

The Placing is conditional upon:

- (i) the GEM Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by 21st December, 2001 (or such later date as the Sponsor on behalf of the Lead Manager and the Underwriters may agree in writing); and
- (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional, and not being terminated, on or before 5:00 p.m. on the day immediately preceding the Listing Date in accordance with its terms or otherwise.

If the above conditions are not fulfilled or where applicable, waived by the Lead Manager on behalf of the Underwriters, the Placing will lapse. Notice of the lapse of the Placing will be published on the GEM website on the next day following such lapse.

Over-allotment Option

In connection with the Placing, the Lead Manager may over-allocate Shares and may cover such over-allocations by exercising the Over-allotment Option from the date of this prospectus up to 4:00 p.m. on 16th January 2002, by stock borrowing arrangements with the Vendor or by making open market purchase in the secondary market. The number of Shares over-allocated will not be greater than the number of Shares which may be issued upon exercise of the Over-allotment Option, being 22,500,000 Shares, which is 15% of the Shares initially available under the Placing. The Lead Manager may also effect transactions which stabilise or maintain the market price of the Shares. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. Such transactions, if commenced, may be discontinued at any time at the absolute discretion of the Lead Manager.

STRUCTURE OF THE PLACING

In order to facilitate settlement of over-allocations in connection with the Placing, the Stock Borrowing Agreement has been entered into between the Lead Manager and the Vendor.

Pursuant to the Stock Borrowing Agreement, the Vendor has agreed that, if so requested by the Lead Manager, the Vendor will lend to the Lead Manager up to 22,500,000 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 the Vendor and be placed in escrow, not later than three business days following the earlier of (a) the date on which the Over-allotment Option is exercised in full and (b) the last day on which the Over-allotment Option may be exercised and redeposited with an escrow agent as soon as practicable.

The Vendor will not receive any payment or benefit in respect of such stock borrowing arrangement. Any stock borrowing arrangement will be conducted in accordance with all applicable legal and regulatory requirements. The Lead Manager may also cover over-allocations under the Placing by, among other means, purchasing Shares in the secondary market or by a combination of purchases in secondary market and exercise of the Over-allotment Option either in part or in full. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.

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

Stabilisation is not a practice commonly associated with the distribution of securities in Hong Kong. In Hong Kong, such stabilisation activities on the Stock Exchange are restricted to cases where securities practitioners genuinely purchase shares on the secondary market solely for the purpose of covering over-allocations in an offering. The relevant provisions of the Securities Ordinance (Chapter 333 of the Laws of Hong Kong) prohibit market manipulation in the form of pegging or stabilising the price of securities in certain circumstances.

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the auditors and 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

17th December, 2001

The Directors

Codebank Limited

Deloitte & Touche Corporate Finance Ltd

Dear Sirs,

We set out below our report on the financial information relating to Codebank Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and its associated companies for inclusion in the prospectus of the Company dated 17th December, 2001 (the "Prospectus") in connection with the 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 23rd July, 1999 as a limited liability company. The Company is principally engaged in the provision of internet and intranet development services in Hong Kong. As at the date of this report, the Company has direct and indirect interests in the following subsidiaries and associated companies:

	Country/place and date of incorporation/ establishment	Issued and paid up share capital	Attributable equity interest %	Principal activities and place of operations
Subsidiaries				
<i>Held directly:</i>				
CBIT Corporation Limited	Hong Kong 19th April, 2000	Ordinary HK\$1,000	100	Provision of internet and intranet development services in Hong Kong
Codebank IMA Limited (formerly known as IMA Communications Limited)	Hong Kong 25th April, 1997	Ordinary HK\$10,000	100 (Note (a))	Provision of internet and intranet development services in Hong Kong up to 31st December, 2000 and, thereafter, investment holding

	Country/place and date of incorporation/ establishment	Issued and paid up share capital	Attributable equity interest %	Principal activities and place of operations
Subsidiaries				
<i>Held directly:</i>				
MAP Technologies Limited	Hong Kong 3rd May, 2000	Ordinary HK\$2,000,000 Convertible, voting and redeemable preference shares HK\$285,714	61.25 (Note (b))	Provision of design, development and deployment of the voice and wireless technology services in Hong Kong
數碼庫(北京)科技 有限公司	The People's Republic of China (the "PRC") 9th March, 2001	Registered US\$500,000 Paid up capital US\$500,000	100 (Note (c))	Trading of hardware and software and provision of consultancy services in the PRC
<i>Held indirectly:</i>				
Campus Online Limited	Hong Kong 17th November, 1999	Ordinary HK\$10,000,000	90 (Notes (a) and (d))	Provision of internet and intranet development services for educational institutions in Hong Kong
校園在綫信息技術 (上海)有限公司	The PRC 27th November, 2000	Registered US\$1,000,000 Paid up capital US\$1,000,000	83.25 (Note (e))	Provision of internet and intranet development services for educational institutions in the PRC
Associated companies				
<i>Held directly:</i>				
Family Online Corporation Limited	Hong Kong 17th May, 2000	Ordinary HK\$2,500,000	40	Provision of internet and intranet development services in Hong Kong
<i>Held indirectly:</i>				
Campus Smart Limited	British Virgin Islands 22nd August, 2000	Ordinary US\$10,000	49 (Note (f))	Sale of smartcard to educational institutions in Hong Kong up to May 2001 when it became inactive

Notes:

- (a) Codebank IMA Limited and its subsidiary, Campus Online Limited, were acquired by the Company in January 2000 and accordingly, the Company consolidated the results of Codebank IMA Limited and Campus Online Limited from the date of acquisition.
- (b) Pursuant to an agreement entered into between the Company and a third party (the "preference shareholder") on 16th March, 2001, MAP Technologies Limited ("MAP") issued 2,857,143 convertible, voting and redeemable preference shares of HK\$0.1 each at HK\$1.37 per share for cash to that third party on 11th April, 2001. These preference shares shall rank in priority to the ordinary shares of MAP in respect of the return of capital and will entitle the preference shareholder non-cumulative dividends of US\$0.01575 per share in respect of any financial year. These preference shares can be converted into one ordinary share of MAP per each preference share at the option of the preference shareholder before the filing of an application for the listing of MAP on The Stock Exchange of Hong Kong Limited. The preference shareholder will also be entitled to the same voting rights as for the holders of ordinary shares at any general meetings of MAP. In addition, the Company has also granted the preference shareholder a put option whereby this shareholder will have the right to require the Company to purchase all or any of its preference shares then in issue at HK\$1.37 per share when MAP is unable to redeem these preference shares. Subsequent to the issuance of these preference shares, the Company's effective equity interest in MAP was reduced from 70% to 61.25%.
- (c) 數碼庫(北京)科技有限公司 was established as a wholly foreign owned enterprise in the PRC for a term of 20 years commencing from 9th March, 2001.
- (d) The Group previously held 70% equity interest in Campus Online Limited through Codebank IMA Limited. Pursuant to an agreement entered into between Codebank IMA Limited, the Company and the minority shareholder of Campus Online Limited on 17th July, 2001, Codebank IMA Limited acquired 10% equity interest in Campus Online Limited from that minority shareholder, in consideration for the issuance of 78,009 ordinary shares of HK\$0.1 each of the Company to that minority shareholder and the transfer of the Company's 15.68% equity interest in Corpmart.com Limited (see 5(0)) to that minority shareholder. Also on 17th July, 2001, Campus Online Limited issued 50,000,000 shares of HK\$0.10 each to Codebank IMA Limited at par for cash. Subsequent to the completion of these transactions, the Group's interests in Campus Online Limited were increased to 90%.
- (e) 校園在綫信息技術(上海)有限公司 was established as a wholly foreign owned enterprise in the PRC for a term of 20 years, commencing from 27th November, 2000.
- Pursuant to an agreement dated 8th June, 2001 entered into between Campus Online Limited and CBH Limited ("CBH"), a third party, Campus Online Limited sold a 7.5% equity interest in 校園在綫信息技術(上海)有限公司 to CBH for a cash consideration of HK\$6,750,000, which was paid to the Group on 8th June, 2001. Subsequent to the completion of this transaction and those as described in note (d) above, the Group's effective interest in 校園在綫信息技術(上海)有限公司 was reduced to 83.25%.
- (f) In May 2001, pursuant to an agreement entered into between Campus Online Limited and the 51% shareholder in Campus Smart Limited, a third party, it was agreed that the business of Campus Smart Limited would cease immediately.

All companies comprising the Group have adopted 31st December as their financial year end date.

No audited accounts have been prepared for 校園在綫信息技術(上海)有限公司, 數碼庫(北京)科技有限公司, Family Online Corporation Limited and Campus Smart Limited, since the dates of their respective incorporation or establishment as they were newly incorporated or established and have not been involved in any significant business transactions since incorporation or establishment.

We have acted as auditors of the Company, CBIT Corporation Limited, Codebank IMA Limited, MAP Technologies Limited and Campus Online Limited for the year/period ended 31st December, 2000 and the period ended 30th September, 2001. The following accounts were not audited by PricewaterhouseCoopers but by other auditors as detailed below:

Company	Auditors	Financial period	
		From	To
Codebank Limited	Ernst & Young	23rd July, 1999 (date of incorporation)	31st December, 1999

For the purpose of this report, we have carried out an independent audit of the accounts of Codebank Limited for the period ended 31st December, 1999 in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants.

We have examined the audited accounts or, where appropriate, the management accounts of all companies comprising the Group for the period from 23rd July, 1999 (being the date of incorporation of the Company) to 31st December, 1999, the year ended 31st December, 2000 and the period from 1st January, 2001 to 30th September, 2001 (the "Relevant Periods") and have carried out such additional procedures as are necessary 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 7 ("Financial Information"), has been prepared based on the audited accounts or, where appropriate, management accounts of all companies comprising the Group. The directors of the respective group companies are responsible for preparing these accounts which give a true and fair view. In preparing these accounts, it is fundamental that appropriate accounting policies are selected and applied consistently.

The directors of the Company (the "Directors") are responsible for the Financial Information. It is our responsibility to form an independent opinion on the consolidated results of the Group for the Relevant Periods and the consolidated net assets of the Group and the net liabilities of the Company as at 30th September, 2001.

In our opinion, the Financial Information, for the purpose of this report and prepared on the basis set out in section 3 below, gives a true and fair view of the consolidated results of the Group for the Relevant Periods and of the consolidated net assets of the Group and the net liabilities of the Company as at 30th September, 2001.

1 RESULTS

The following is a summary of the consolidated results of the Group for the Relevant Periods prepared on the basis set out in section 3 below:

		Period from 23rd July, 1999 to 31st December, 1999 <i>HK\$'000</i>	Year ended 31st December, 2000 <i>HK\$'000</i>	Period from 1st January, 2001 to 30th September, 2001 <i>HK\$'000</i>
Turnover	5(a)	1,375	8,967	8,162
Cost of sales		(685)	(3,441)	(5,172)
Gross profit		690	5,526	2,990
Other revenue	5(a)	–	7	26
Research and development expenses		–	(5,362)	(850)
Administrative expenses		(822)	(30,520)	(23,910)
Net realised and unrealised holding loss on trading investments	5(b)	–	(58,401)	(54)
Broadband procurement expenses	5(c)	–	–	(30,000)
Other operating revenue	5(d)	–	–	10,646
Other operating expenses		–	(2,155)	(4,444)
Operating loss	5(d)	(132)	(90,905)	(45,596)
Finance costs	5(e)	–	(1,439)	(701)
Share of losses of associated companies		–	(662)	(338)
Loss for the period/year		(132)	(93,006)	(46,635)
Minority interests		–	2,100	–
Loss attributable to shareholders		<u>(132)</u>	<u>(90,906)</u>	<u>(46,635)</u>
Loss per share (Hong Kong Dollars)	5(h)	<u>(0.83)</u>	<u>(34.92)</u>	<u>(11.43)</u>

2 NET ASSETS

The following is a summary of the consolidated net assets of the Group and the net liabilities of the Company as at 30th September, 2001 prepared on the basis set out in section 3 below:

	Note	Group		Company
		HK\$'000	HK\$'000	HK\$'000
Goodwill	5(k)		2,856	–
Fixed assets	5(l)		8,891	1,795
Subsidiaries	5(m)		–	–
Associated companies	5(n)		–	–
Other investment	5(o)		–	–
Current assets				
Accounts receivable		2,423		97
Prepayments, deposits and other receivables		5,333		4,669
Bank balances and cash		960		114
		<u>8,716</u>		<u>4,880</u>
Current liabilities				
Accounts payable		1,396		600
Other payables and accruals		9,521		5,983
Obligations under finance lease	5(p)	1,779		1,779
Current portion of long-term bank loan, secured	5(q)	1,296		1,296
Short-term bank loan and overdraft, secured	5(r)	2,546		219
Other short-term loan, secured	5(s)	1,250		1,250
		<u>17,788</u>		<u>11,127</u>
Net current liabilities			(9,072)	(6,247)
Total assets less current liabilities			2,675	(4,452)
Long-term bank loan, secured	5(q)		(1,956)	(1,956)
Net assets/(liabilities)			<u>719</u>	<u>(6,408)</u>

3 BASIS OF PREPARATION

The Group reported a net loss of HK\$46,635,000 for the nine months ended 30th September, 2001 and at that date, its consolidated current liabilities exceeded its consolidated current assets by HK\$9,072,000. As at 30th September, 2001, the Company's total liabilities exceeded its total assets by HK\$6,408,000. Nevertheless, the Financial Information has been prepared on a going concern basis, which the Directors believe to be appropriate because:

- (a) majority of the shareholders of the Company as at the date of this report have agreed to provide continuing financial support to the Company up to the date of the listing of the Company's shares on the GEM; and
- (b) the Company is planning a listing of the Company's shares on the GEM, from which the estimated net proceeds of HK\$40 million are intended to be applied to fund the Group's capital expenditure and for working capital purposes.

4 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies which have been adopted by the Group in the preparation of 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. The Financial Information in this report is prepared under the historical cost convention as modified by the revaluation of trading investments.

(a) Consolidation

Subsidiaries are companies in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the Board of directors. The results of subsidiaries acquired or disposed of during the year/period are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised in its management.

The consolidated results include the Group's share of the results of associated companies for the Relevant Periods, and the consolidated net assets includes the Group's share of the net assets of these associated companies.

In the Company's balance sheet the investments in associated companies are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

(c) Goodwill on acquisition

Goodwill on acquisition represents the excess of the purchase consideration over the fair values ascribed to the net assets of a subsidiary acquired and is amortised by equal annual instalments over its estimated useful economic life of three years.

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Fixed assets are depreciated at rates sufficient to write off their cost over their estimated useful lives to the Group on a straight-line basis. The principal annual rate is 25%.

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 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.

(e) 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 periods.

(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. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the lease periods.

(f) Trading investments

Trading investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading investments are recognised in the profit and loss account. Profits or losses on disposal of trading investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(g) Other investment

Other investment represents the investment in unlisted shares and are stated at cost less any provision for diminution in value.

The carrying amount of this investment is reviewed at each balance sheet date to assess whether its fair value has declined below the carrying amount. When a decline other than temporary has occurred, the carrying amount of this investment will be reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account.

(h) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the consolidated balance sheet are stated net of such provision.

(i) Deferred taxation

Deferred taxation is accounted for at the current taxation 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.

(j) Research and development costs

Research and development costs are expensed as incurred, except for development costs where the technical feasibility of the product under development has been demonstrated, costs are identifiable and a market exists for the product such that it is probable that it will be profitable. During the Relevant Periods, all the research and development costs have been expensed.

(k) 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.

The accounts of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in reserves. Upon disposal of an overseas subsidiary, the cumulative related exchange difference is taken to the profit and loss account as part of the gain or loss on disposal.

(l) Revenue recognition

Revenue from the provision of internet and intranet development services and the provision of design, development and deployment of the voice and wireless technology services is recognised when services are rendered, having regard to the total costs attributable to the proportion of the total contract which has been completed at the balance sheet date.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and interest rates applicable.

5 NOTES TO FINANCIAL INFORMATION

(a) Turnover and revenues

The Group is engaged in the provision of internet and intranet development services and the provision of design, development and deployment of the voice and wireless technology services. Revenues recognised during the Relevant Periods are as follows:

	Period from 23rd July, 1999 to 31st December, 1999 HK\$'000	Year ended 31st December, 2000 HK\$'000	Period from 1st January, 2001 to 30th September, 2001 HK\$'000
Turnover			
Rendering of services	1,375	8,967	8,162
Other revenue			
Interest income	—	7	26
	<u>1,375</u>	<u>8,974</u>	<u>8,188</u>
Total revenues	<u>1,375</u>	<u>8,974</u>	<u>8,188</u>

During the Relevant Periods, all the Group's turnover was generated in Hong Kong and accordingly, no geographical segmental information is presented.

(b) Net realised and unrealised holding loss on trading investments

The balance represents net realised and unrealised holding loss on the trading investments, comprising 30,650,000 shares in HyComm Wireless Limited (formerly known as Plotio Holdings Limited) ("HyComm"), a third party and a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Company was allotted with these shares in consideration for the issuance of 267,606 Class "A" ordinary shares of HK\$0.1 each in the Company to HyComm in 2000. All the shares in HyComm were disposed by the Group during the Relevant Periods.

(c) Broadband procurement expenses

Pursuant to an agreement entered into by the Company with Aionnet Telecommunications Limited ("Aionnet") and One Trend Net Holdings Limited ("One Trend"), a fellow subsidiary of Aionnet, in April 2001, the Company has engaged Aionnet to procure one or more network service providers to provide the Group with high speed circuits linking up various cities in the PRC for a period of 20 years (the "Term") starting from 11th April, 2001. Under the terms of this agreement, Aionnet shall be responsible for all the payments during the Term for charges, expenses and outgoings for the setting up, installation and linking up the connection points as designated by the Group. The total cash consideration for the services (the "broadband procurement services") to be provided by Aionnet is HK\$30,000,000. The consideration had been paid to Aionnet by the Group using the cash proceed of HK\$30,000,000, received from One Trend for the subscription of 433,383 Class "A" ordinary shares of HK\$0.1 each of the Company in May 2001. In view of uncertainties on the future inflow of economic benefits to the Group from the broadband procurement services, the underlying charge was expensed in the consolidated profit and loss account of the Group for the nine months ended 30th September, 2001. On 29th November, 2001, the Company entered into a deed with Aionnet and One Trend to amend the Term from 20 years to 9 years.

(d) Operating loss

The operating loss is stated after charging and crediting the following:

	Period from 23rd July, 1999 to 31st December, 1999 HK\$'000	Year ended 31st December, 2000 HK\$'000	Period from 1st January, 2001 to 30th September, 2001 HK\$'000
Charging:			
Auditors' remuneration	40	43	100
Amortisation of goodwill	–	–	213
Depreciation			
– owned fixed assets	–	1,318	1,297
– leased fixed assets	–	906	1,065
Loss on disposal of fixed assets	–	11	34
Staff costs (including directors' emoluments)	309	24,750	15,753
Operating lease rentals in respect of			
– leased lines and server storage	–	375	2,031
– land and buildings	–	1,626	1,538
Provision for bad and doubtful debts	136	2,283	782
Provision for diminution in value of other investment	–	–	2,346
Crediting:			
Gain on disposal of certain interests in a subsidiary	–	–	6,750
Gain on dilution of interests in a subsidiary	–	–	3,896
	<u>–</u>	<u>–</u>	<u>3,896</u>

(e) Finance costs

	Period from 23rd July, 1999 to 31st December, 1999 HK\$'000	Year ended 31st December, 2000 HK\$'000	Period from 1st January, 2001 to 30th September, 2001 HK\$'000
Interest on bank loans and overdrafts	–	969	459
Interest on other loans	–	157	31
Interest element of finance leases	–	132	211
Interest on late payments of finance leases	–	181	–
	<u>–</u>	<u>1,439</u>	<u>701</u>

(f) Taxation

The companies comprising the Group operating in Hong Kong are subject to Hong Kong profits tax at the rate of 16%. No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits during the Relevant Periods.

The Company's subsidiaries established in the PRC are subject to the PRC income tax at the rate of 33%. No provision for PRC income tax has been made as these subsidiaries had no assessable income during the Relevant Periods.

During the Relevant Periods, there were no material unprovided deferred tax assets or liabilities which are expected to be crystallised in the foreseeable future.

(g) Dividends

No dividends had been paid or declared by the Company during the Relevant Periods.

(h) Loss per share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$46,635,000 (2000: HK\$90,906,000), (1999: HK\$132,000) and on the weighted average number of 4,081,356 (2000: 2,603,477) (1999:158,951) shares in issue during the year/period.

(i) Emoluments of directors and employees

(i) The aggregate amounts of emoluments paid and payable to the directors of the Company for the Relevant Periods are as follows:

	Period from 23rd July, 1999 to 31st December, 1999 <i>HK\$'000</i>	Year ended 31st December, 2000 <i>HK\$'000</i>	Period from 1st January, 2001 to 30th September, 2001 <i>HK\$'000</i>
Basic salaries, allowances and benefit in kind	433	3,540	2,480
Bonuses	–	–	–
Provident fund contributions	–	–	41
	<u>433</u>	<u>3,540</u>	<u>2,521</u>

Each of the five directors of the Company received emoluments from the Group of approximately HK\$165,000, HK\$124,000, HK\$100,000, HK\$44,000 and HK\$nil respectively for the period from 23rd July, 1999 to 31st December, 1999, approximately HK\$906,000, HK\$812,000, HK\$785,000, HK\$752,000 and HK\$285,000 respectively for the year ended 31st December, 2000 and approximately HK\$689,000, HK\$519,000, HK\$519,000, HK\$519,000 and HK\$275,000 respectively for the nine months ended 30th September, 2001.

No Directors waived any emoluments during the Relevant Periods.

(ii) The five individuals whose emoluments were the highest in the Group are as follows:

	Period from 23rd July, 1999 to 31st December, 1999 <i>HK\$'000</i>	Year ended 31st December, 2000 <i>HK\$'000</i>	Period from 1st January, 2001 to 30th September, 2001 <i>HK\$'000</i>
Directors	3	4	4
Employees	2	1	1
	<u>5</u>	<u>5</u>	<u>5</u>

Details of the emoluments of employees as mentioned above are as follows:

	Period from 23rd July, 1999 to 31st December, 1999 <i>HK\$'000</i>	Year ended 31st December, 2000 <i>HK\$'000</i>	Period from 1st January, 2001 to 30th September, 2001 <i>HK\$'000</i>
Basic salaries, allowances and benefit in kind	199	692	631
Bonuses	–	–	–
Provident fund contributions	–	–	9
	<u>199</u>	<u>692</u>	<u>640</u>

The emoluments of each of the above employees for the Relevant Periods were below HK\$1,000,000.

- (iii) During the Relevant Periods, no emoluments have been paid by the Group to the Directors or any of the five highest paid individuals as an inducement to join the Group or as compensation for loss of office.

(j) Retirement benefit costs

The Group did not operate any retirement scheme up to 30th November, 2000. With effect from 1st December, 2000, a Mandatory Provident Fund (“MPF”) scheme has been set up for employees, including executive Directors of the Company, in Hong Kong, in accordance with the Mandatory Provident Fund Scheme Ordinance (the “MPF Ordinance”). Under the MPF scheme, the Group’s contributions are at 5% of employees’ relevant income as defined in the MPF Ordinance up to a maximum of HK\$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF scheme from 31st December, 2000 if their relevant income is more than HK\$4,000 per month. The MPF contributions are fully and immediately vested with the employees as accrued benefits once they are paid. The total contribution to the MPF scheme paid and payable by the Group for the period ended 30th September, 2001 amounted to HK\$408,090 and for the year ended 31st December, 2000 amounted to HK\$51,902.

(k) Goodwill

Group
HK\$'000

Cost

Arising from the acquisition of additional interest in
a subsidiary, Campus Online Limited

3,069

Accumulated amortisation

(213)

At 30th September

2,856

(l) Fixed assets

	Group		
	Cost <i>HK\$'000</i>	Accumulated depreciation <i>HK\$'000</i>	Net book value <i>HK\$'000</i>
Leasehold improvements	1,678	581	1,097
Computer equipment	10,677	3,454	7,223
Furniture, fixtures and equipment	952	381	571
	<u>13,307</u>	<u>4,416</u>	<u>8,891</u>

As at 30th September, 2001, the aggregate net book value of the Group's computer equipment held under finance leases was approximately HK\$4,247,000.

	Company		
	Cost <i>HK\$'000</i>	Accumulated depreciation <i>HK\$'000</i>	Net book value <i>HK\$'000</i>
Leasehold improvements	1,327	470	857
Computer equipment	924	233	691
Furniture, fixtures and equipment	380	133	247
	<u>2,631</u>	<u>836</u>	<u>1,795</u>

(m) Subsidiaries – Company

	<i>HK\$'000</i>
Investments in unlisted subsidiaries, at cost	5,915
Provision for diminution in value of investments	(5,915)
	<u>–</u>
Long term loan to a subsidiary (<i>note (i)</i>)	4,396
Due from subsidiaries (<i>note (ii)</i>)	26,711
Provision for long term loan to and amounts due from subsidiaries	(31,107)
	<u><u>–</u></u>

(i) The loan is due from MAP, a 61.25% owned subsidiary. The loan is unsecured and interest-free.

(ii) The amounts due from subsidiaries are unsecured and interest-free.

(n) Associated companies

	Group <i>HK\$'000</i>
Share of net assets	–
Due from an associated company	378
Provision for amount due from an associated company	(378)
	<u>–</u>
	<u><u>–</u></u>
	Company <i>HK\$'000</i>
Investment in an associated company, at cost	1,000
Provision for diminution in value of investment	(1,000)
	<u>–</u>
	<u><u>–</u></u>

(o) Other investment – Group and Company

	<i>HK\$'000</i>
Unlisted shares, at cost	2,346
Provision for diminution in value of investment	(2,346)
	<u>–</u>
	<u><u>–</u></u>

As at 30th September, 2001, unlisted shares represented 13.70% equity interests in Corpmart.com Limited, which was incorporated in Hong Kong and is principally engaged in the provision of corporate intranet and communication platform and other e-business solutions.

(p) Obligations under finance lease

Pursuant to a finance lease agreement entered into between the Company and CIT Financial (Hong Kong) Limited, an independent leasing company, dated 11th December, 2000, this finance lease is secured by a joint and several guarantee given by Mr. Yu Hang Chung, Herman (“Mr. Yu”), Campus Online Limited, one of the Company’s subsidiaries, and a director of HyComm.

Subsequent to 30th September, 2001, the leasing company has agreed in principal that the above guarantee will be released upon the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

(q) Long-term bank loan – Group and Company

	Secured bank loan HK\$'000
Amounts repayable:	
Within one year	1,296
In the second year	1,296
In the third to fifth year	660
	<hr/> 3,252
Amounts due within one year classified as current liabilities	<hr/> (1,296)
	<hr/> 1,956 <hr/>

Details of securities for banking facilities are set out in section 5(r) below

(r) Banking facilities

- (1) As at 30th September, 2001, the Group's banking facilities of approximately HK\$5.8 million were secured by the following:
 - (i) personal guarantees of Mr. Yu, one of the directors and shareholders of the Company, for HK\$7,900,000;
 - (ii) the assignment of all benefits of the keyman insurance policy totalling approximately HK\$4,001,000 in the name of Mr. Yu; and
 - (iii) a legal charge over a property held by Ms. Lai Sin Yee, Mr. Yu's mother.
- (2) As at 30th September, 2001, the Company's bank facilities of approximately HK\$3.5 million were secured by the following:
 - (i) personal guarantees of Mr. Yu, one of the directors and shareholders of the Company for HK\$5,000,000; and
 - (ii) the assignment of all benefits of the keyman insurance policy totalling approximately HK\$4,001,000 in the name of Mr. Yu
- (3) Subsequent to 30th September, 2001, the underlying banks have agreed in principle that the above personal guarantees and charge will be released and replaced by a charge over the Company's bank deposit of HK\$1.8 million and other security and guarantees to be provided by the Group upon the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited.

(s) Other short-term loan, secured

Pursuant to a loan agreement entered into by the Company and Pioneer Capital (L) Limited ("Pioneer"), an independent third party, dated 16th July, 2001, Pioneer granted an interest bearing loan of HK\$1,250,000 to the Company, interest is calculated at 1% of the loan. The loan is secured by corporate guarantees given by certain subsidiaries of the Company and is repayable in full on 15th July, 2002 together with interest. The loan was drawn down by the Company on 23rd July, 2001.

(t) Reserves

	Group			
	Share Premium	Exchange fluctuation reserve	Capital reserve	Accumulated losses
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period ended 31st December, 1999	–	–	–	(132)
At 1st January, 2000	–	–	–	(132)
Premium arising on the issue of shares, net of share issue expenses	81,982	–	–	–
Premium arising on acquisition of a subsidiary	–	–	68	–
Arising from the translation of the accounts of subsidiaries	–	(1)	–	–
Loss for the year	–	–	–	(90,906)
At 31st December, 2000	81,982	(1)	68	(91,038)
At 1st January, 2001	81,982	(1)	68	(91,038)
Premium arising on the issue of shares, net of share issue expenses	55,900	–	–	–
Arising from the translation of the accounts of subsidiaries	–	(22)	–	–
Loss for the period	–	–	–	(46,635)
At 30th September, 2001	137,882	(23)	68	(137,673)

	Company	
	Share premium	Accumulated losses
	HK\$'000	HK\$'000
Loss for the period ended 31st December, 1999	–	(132)
At 1st January, 2000	–	(132)
Premium arising on the issue of shares, net of share issue expenses	81,982	–
Loss for the year	–	(96,393)
At 31st December, 2000	81,982	(96,525)
At 1st January, 2001	81,982	(96,525)
Premium arising on the issue of shares, net of share issue expenses	55,900	–
Loss for the period	–	(48,230)
At 30th September, 2001	137,882	(144,755)

(u) Commitments*(i) Commitments under operating leases*

At 30th September, 2001, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	Within one year HK\$'000	In the second to fifth years inclusive HK\$'000	Within one year HK\$'000	In the second to fifth years inclusive HK\$'000
Operating leases in respect of :				
– land and buildings	1,899	700	1,400	700
– leased lines and server	801	–	150	–
	<u>2,700</u>	<u>700</u>	<u>1,550</u>	<u>700</u>

(ii) Capital commitments

At 30th September, 2001, the Group and the Company had no material capital commitments.

(v) Contingent liabilities

As at 30th September, 2001, the Group and the Company had no material contingent liabilities.

(w) Distributable reserves

As at 30th September, 2001, the Company had no reserves available for distribution to its shareholders as at that date.

(x) Related party transactions

Apart from those disclosed under 5(c), 5(p) and 5(r), during the Relevant Periods, the Group undertook the following transactions with related companies in the normal course of its business:

	Period from		Period from
	23rd July, 1999	to	1st January, 2001
	31st December,	Year ended	to
	1999	31st December,	30th September,
	HK\$'000	2000	2001
		HK\$'000	HK\$'000
Management fee paid to Codebank IMA Limited (<i>Note a</i>)	1,000	–	–
Services rendered to associated companies (<i>Note b</i>)	–	120	178
Services rendered to a related company (<i>Note c</i>)	–	120	520
Consultancy fees paid to a related company (<i>Note d</i>)	–	–	355
	<u>–</u>	<u>–</u>	<u>355</u>

- (a) Codebank IMA Limited was owned and controlled by Mr. Yu before January 2000 when the Company acquired 100% interests in Codebank IMA Limited. During the period ended 31st December, 1999, Codebank IMA Limited provided management and administrative services to the Company in return for a fixed fee of HK\$1,000,000 on a cost reimbursement basis.
- (b) It represents services rendered to the Group's associated companies, Family Online Corporation Limited and Campus Smart Limited, in accordance with the terms of the underlying agreement.
- (c) It represents services rendered to Corpmart.com Limited (see 5(o)), in which Mr. Yu had certain equity interest, in accordance with the terms of the underlying agreement.
- (d) It represents consultancy services rendered by Digikap Asia Limited, in which Mr. Cheng Yu Hong, the director of the Company, is also its shareholder and director in accordance with the terms of the underlying agreement.

In addition, on 19th July, 2001, the Company acquired 11.41% equity interest in Corpmart.com Limited (see 5(o)) from Mr. Yu at a consideration of HK\$2,281,600 which was satisfied by the issuance of 77,417 ordinary shares of HK\$0.1 each in the Company to Mr. Yu.

In the opinion of the directors of the Company, the above transactions were carried out in the normal course of business of the Group.

The directors of the Company also confirmed that the abovementioned transactions will not continue subsequent to the listing of the Company's shares on the GEM.

6 SUBSEQUENT EVENTS

Subsequent to 30th September, 2001, except as disclosed elsewhere in this report, a shareholder loan of approximately HK\$1.4 million was granted from Mr. Yu for working capital purpose. The loan is unsecured, interest-free and repayable upon the listing of the Company's shares on the GEM. This loan repayment will be financed by the net proceeds from the issuance of the shares of the Company for the purpose of the listing of the Company's shares on the GEM.

Save as aforesaid, no other material events took place subsequent to 30th September, 2001.

7 SUBSEQUENT ACCOUNTS

No audited accounts have been prepared for the Company or any of its subsidiaries in respect of any period subsequent to 31st December, 2000 and no dividend or other distribution has been declared, made or paid by the Company or any of its subsidiaries in respect of any period subsequent to 30th September, 2001.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of values and valuation certificate, 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 30th September, 2001 of the property interests of the Group.



CHARTERED SURVEYORS, PROPERTY CONSULTANTS
LAND, BUILDING, PLANT & MACHINERY VALUERS
FINANCIAL AND INTANGIBLE ASSET VALUERS

15/F Trinity House
165-171 Wanchai Road
Hong Kong
Tel : (852) 2169 6000
Fax : (852) 2528 5079

17th December 2001

The Directors
Codebank Limited
Units 2801-05, 28th Floor
Island Place Tower
Island Place
No. 510 King's Road
North Point
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interests in which Codebank Limited (hereinafter referred to as the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in Hong Kong and the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such property interests as at 30th September, 2001.

BASIC OF VALUATION

Our valuations of the property interests are our opinion of the open market value which we would define as intended to mean "the best price at which the sale of an interest in a property would have been completed unconditionally for cash consideration on the date of the 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 sales;
- (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 in Group I and Group II which are rented 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 sub-letting and/or assignment contained in the respective leases and/or tenancy agreements or the lack of marketable and substantial profit rents.

TITLE INVESTIGATION

For the property interests located in Hong Kong, we have not been provided with copies of the title documents relating to the property interests but have caused searches to be made at the Land Registry in Hong Kong. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us.

For those property interests located in the PRC, we have not searched the title of the property interests and have not scrutinized and the original title documents. We have been given copies of the tenancy agreements under which the property interests were leased to the Group.

VALUATION CONSIDERATIONS

Our valuations have been made on the assumption that the property interests can be sold in the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the values of the property interests.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the relevant property interests but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas 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 inspected the exterior of the property interests included in the attached valuation certificates, in respect of which we have been provided with such information as we have required for the purpose of our valuations. However, no structural survey has been made, but in the course of our inspections we did not note any apparent serious defects. We are not, however, able to report that the property interests are free from rot, infestation or any other structural defects. No tests were carried out to any of the services.

We have relied to a considerable extent on the information provided to us 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 in the identification of the property interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the 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 report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in affecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuations have been prepared under 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.

REMARKS

Unless otherwise stated, all monetary amounts stated in this report are in Hong Kong Dollars.

Our valuations are summarised below and the valuation certificates are attached herewith.

Yours faithfully,
for and on behalf of
SALLMANN (FAR EAST) LIMITED
Paul L. Brown
BSc, FRICS, FHKIS
Director

Note : Paul L. Brown is a Chartered Surveyor who has 18 years' of experience in the valuation of properties in the PRC and 21 years' of property valuation experience in Hong Kong, the United Kingdom and the Asia Pacific region.

SUMMARY OF VALUES

Group I – Property interests rented and occupied by the Group in Hong Kong

Property	Open market value in existing state as at 30th September, 2001 HK\$	Percentage interest attributable to the Group	Open market value attributable to the Group as at 30th September, 2001 HK\$
1. Units Nos. 01, 02, 03, 04 and 05 on 28th Floor Island Place Tower Island Place No. 510 King's Road North Point Hong Kong	No commercial value	100%	No commercial value

Group II – Property interests rented and occupied by the Group in the PRC

Property	Open market value in existing state as at 30th September, 2001 HK\$	Percentage interest attributable to the Group	Open market value attributable to the Group as at 30th September, 2001 HK\$
2. Unit M on 9th Floor Office Tower Beijing New Century Hotel No. 6 Southern Road Capital Gym Haidian District Beijing The PRC	No commercial value	100%	No commercial value
3. Units 04-05 on 7th Floor Hong Kong Plaza Nos. 282-283 Hwai Hai Zhong Road Shanghai The PRC	No commercial value	83.25%	No commercial value

VALUATION CERTIFICATE

Group I – Property interests rented and occupied by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30th September, 2001 HK\$
1. Units Nos. 01, 02, 03, 04 and 05 on 28th Floor Island Place Tower Island Place No. 510 King's Road North Point Hong Kong	<p>The property comprises 5 office units on 28th floor of a 29-storey commercial building completed in about 1999.</p> <p>The property has a gross floor area of 10,498 sq.ft. (975.3 sq.m.) or thereabouts.</p> <p>The property is rented to Codebank Limited from an independent third party for a term of 3 years from 1st April, 2000 to 31st March, 2003 at a monthly rental of HK\$131,225.00 exclusive of rates, air-conditioning, management charges and cleaning expenses.</p>	The property is currently occupied by the Group for office purposes.	No commercial value

Group II – Property interests rented and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 30th September, 2001 HK\$
2. Unit M on 9th Floor Office Tower Beijing New Century Hotel No. 6 Southern Road Capital Gym Haidian District Beijing The PRC	<p>The property comprises an office unit on 9th floor of a 18-storey commercial building completed in about 1998.</p> <p>The property has a gross floor area of 1,206 sq.ft. (112 sq.m.) or thereabouts.</p> <p>The property is rented to Codebank Limited from an independent third party for a term of 1 year from 1st February, 2001 to 1st February, 2002 at a monthly rental of US\$2,688.00 exclusive of common charge and management fees.</p> <p>The common charge for repair and maintenance and service charges is US\$244.00 per calendar month.</p>	The property is currently occupied by the Group for office purposes.	No commercial value
3. Units 04-05 on 7th Floor Hong Kong Plaza Nos. 282-283 Hwai Hai Zhong Road Shanghai The PRC	<p>The property comprises 2 office units on the 7th floor of a 29-storey commercial building completed in about 1998.</p> <p>The property has a gross floor area of 3,326 sq.ft. (309 sq.m.) or thereabouts.</p> <p>The property is rented to Campus Online (Shanghai) Limited from an independent third party for a term of 2 years from 1st September, 2000 to 31st August, 2002 at a monthly rental of US\$4,560.00 exclusive of management fees, air-conditioning and utilities charges. The air-conditioning and management charges are RMB9,888.00 per calendar month.</p>	The property is currently occupied by the Group for office purposes.	No commercial value

Note : Campus Online (Shanghai) Limited is a 83.25% owned subsidiary of the Company.

The existing memorandum and articles of association (the "Articles") of the Company were adopted on 7th December, 2001. The following is a summary of certain provisions of the Articles:

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 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 share of smaller amount 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, 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 the provisions of the Companies Ordinance.

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 may be varied 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 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 may demand a poll and that at an adjourned meeting of the holders two holders present in person or by proxy (whatever the number of shares held by him) shall be a quorum.

Votes of members

Subject to any special terms as to voting for the time being attached to any shares, on a show of hands every member who is present in person 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 shall have one vote for every share of which he is the holder.

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 nominee 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 separate 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) which he represents as that clearing house (or its nominee) could exercise if it were a registered holder of the shares of the Company.

Borrowing powers

The Directors may exercise all the powers of the Company to raise or borrow money and to mortgage or charge its undertaking, property and uncalled capital of the Company and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Directors

Unless and until otherwise determined by ordinary resolution of the Company, 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 (subject to the Articles) appoint another person who is willing to act to be a Director 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 and/or deputy chairman 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 required to vacate office by reason only of his having attained any particular age.

The Directors may from time to time appoint one or more Directors to hold any employment or executive office with the Company (including that of a managing director) for such period and upon such terms as the Directors think 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 at an annual 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 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 Directors may from time to time decide. Such remuneration shall be in addition to his remuneration as a Director.

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 Directors 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 and subject to any other provisions of the Articles.

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 Directors 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 Directors 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.

Dividends

The Company may in general meeting declare dividends in any currency but no dividend shall exceed the amount recommended by the Directors.

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 Directors 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 Directors, whatever the profits of the Company, in the opinion of the Directors, 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 Directors may think fit.

Any general meeting declaring a dividend may, upon the recommendation of the Directors, by ordinary resolution, direct that it shall be satisfied wholly or partly by the distribution of assets.

Any dividend unclaimed after a period of six years from the date when it became due for payment 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.

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 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 Directors 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 Directors 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 its absolute discretion and without assigning any reason, decline to register any transfer of any share which is not a fully paid share.

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 as the maximum amount prescribed by the Stock Exchange from time to time or such lesser sum as the Directors 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.

Purchases of Shares

So far as it is permitted by the Companies Ordinance or any other ordinance and is made in accordance with any relevant rules or regulations issued by the Stock Exchange or the SFC from time to time, the Company is authorised by its Articles to purchase its shares.

A. FURTHER INFORMATION ABOUT THE COMPANY**1. Incorporation**

The Company was incorporated in Hong Kong on 23rd July, 1999 under the Companies Ordinance. The Company has established a place of business and registered office in Hong Kong at Units 2801-2805, 28th Floor, Island Place Tower, Island Place, 510 King's Road, North Point, Hong Kong.

2. Changes in share capital

- (i) The Company was incorporated with an authorised share capital of HK\$1,500,000 divided into 1,000,000 Class A shares of HK\$1.00 each and 500,000 Class B shares of HK\$1.00 each of which 2 Class A shares were subscribed by the subscribers. On 9th September, 1999, the transfer of 2 Class A shares of HK\$1.00 each in the Company to Mr. Yu Hang Chung, Herman was approved by the Directors. On the same date, the Directors were further authorised to allot and issue 237,498 and 12,500 Class A shares of HK\$1.00 each to Mr. Yu Hang Chung, Herman and Mr. Kam Chun Ying, Francis respectively.
- (ii) On 3rd March, 2000, a special resolution of the Company was passed pursuant to which the authorised and issued share capital of the Company, comprising 1,000,000 Class A shares of HK\$1.00 each and 500,000 Class B shares of HK\$1.00 each be subdivided into 10,000,000 Class A shares of HK\$0.10 each and 5,000,000 Class B shares of HK\$0.10 each. On the same date, an ordinary resolution was passed pursuant to which the authorised share capital of the Company was increased from HK\$1,500,000 to HK\$10,500,000 by the creation of 90,000,000 new Class A shares of HK\$0.10 each.
- (iii) On 8th June, 2000, 123,626 Class A shares of HK\$0.10 each in the Company were allotted and issued to HyComm in consideration of the allotment and issue of 15,325,000 shares in the capital of HyComm at HK\$2.50 each credited as fully paid to the Company.
- (iv) On 7th September, 2000, 143,980 Class A shares of HK\$0.10 each in the Company were allotted and issued to HyComm in consideration of the allotment and issue of 15,325,000 shares in the capital of HyComm at HK\$2.50 each credited as fully paid to the Company.
- (v) On 22nd December, 2000, 162,995 Class A shares of HK\$0.10 each in the Company were allotted and issued to Allied Luck Company Limited at a consideration of HK\$6,500,000. On 28th February, 2001, a further 30,077 Class A shares of HK\$0.10 each in the Company were allotted and issued to Allied Luck Company Limited at par credited as fully paid so as to maintain its then existing shareholding interest in the Company at 4.95% on a fully diluted basis in accordance with the percentage shareholding agreed to be subscribed by Allied Luck Company Limited pursuant to the Shares subscription agreement referred to in paragraph (d) in the section headed "Summary of material contracts" of this Appendix.
- (vi) On 5th January, 2001, 81,498 Class A shares of HK\$0.10 each in the Company were allotted and issued to Bestcharm Holdings Limited at a consideration of HK\$3,250,000. On 28th February, 2001, a further 15,038 Class A shares of HK\$0.10 each in the Company were allotted and issued to Bestcharm Holdings Limited credited as fully paid so as to maintain its then existing shareholding interest in the Company at 2.475% on a fully diluted basis in accordance with the percentage shareholding agreed to be subscribed by Bestcharm Holdings Limited pursuant to the Shares subscription agreement referred to in paragraph (e) in the section headed "Summary of material contracts" of this Appendix.

- (vii) On 17th January, 2001, 262,067 Class A shares of HK\$0.10 each in the Company were allotted and issued to Digikap Asia Limited credited as fully paid in consideration of the provision of consultancy services by Digikap Asia Limited to the Group.
- (viii) On 28th February, 2001, 193,072 Class A shares of HK\$0.10 each in the Company were allotted and issued to AsiaMediaShop Limited at a consideration of HK\$6,500,000 payable in cash.
- (ix) On 1st March, 2001, 193,072 Class A shares of HK\$0.10 each in the Company were allotted and issued to CBC Information Technology Limited at a consideration of HK\$6,500,000 payable in cash.
- (x) On 1st March, 2001, 39,005 Class A shares of HK\$0.10 each in the Company were allotted and issued to Digikap Asia Limited at a consideration of HK\$1,000,000 payable in cash.
- (xi) On 11th April, 2001, 433,383 Class A shares of HK\$0.10 each in the Company were allotted and issued to One Trend Net Holdings Limited at a consideration of HK\$30,000,000 payable in cash.
- (xii) On 9th July, 2001, 78,009 Shares were allotted and issued to Ms. Lam Ching Shan for cash at par.
- (xiii) On 17th July, 2001, 78,009 Shares were allotted and issued to Cyber Campus Networks Limited as part consideration for the acquisition by the Group of a 10% equity interest in COL.
- (xiv) On 19th July, 2001, the Company allotted and issued 131,083, 17,824, 12,174, 8,912 and 71,582 Shares to Mr. Yu Hang Chung, Herman, Mr. Ng Wing Hong, Mr. Kam Chun Ying, Francis, Mr. Suen Kwok Kin and HyComm respectively as consideration for the capitalisation of shareholders' loans in the aggregate amount of HK\$6,631,045.50.
- (xv) On 19th July, 2001, 77,417 Shares were allotted and issued to Mr. Yu Hang Chung, Herman credited as fully paid for the capitalisation of a promissory note issued by the Company to Mr. Yu Hang Chung, Herman.

Pursuant to a written resolution dated 6th July, 2001, a resolution was passed to cancel all Class B shares of HK\$0.10 each in the authorised share capital of the Company and to reclassify all Class A shares of HK\$0.10 each in the Company as ordinary shares.

By written resolutions dated 7th December, 2001, resolutions were passed pursuant to which the authorised share capital of the Company was increased from HK\$10,000,000 to HK\$100,000,000 by the creation of 900,000,000 additional Shares to rank pari passu with the existing Shares in all respects.

Assuming that the Placing becomes unconditional and the issue of Shares pursuant to the Placing is made, the authorised share capital of the Company will be HK\$100,000,000 divided into 1,000,000,000 Shares and the issued share capital will be HK\$60,000,000 divided into 600,000,000 Shares (each of which will be fully paid or credited as fully paid) and 400,000,000 Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option or of any options which have been or may be granted under the Pre-IPO Share Option Plan and the Share Option Scheme, the Directors have no present intention to issue any part of the authorised but unissued capital of the Company, and without the prior approval of the members 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 its incorporation.

3. Shareholders' resolutions of the Company passed on 7th December, 2001

Pursuant to the resolutions passed by the shareholders of the Company on 7th December, 2001, conditional on the same conditions as stated in the section headed "Conditions of the Placing" in this prospectus:

- (a) conditional upon the share premium account of the Company being credited as a result of the New Issue, an amount of HK\$49,010,717.70 standing to the credit of the share premium account of the Company be capitalised and applied to pay up in full at par a total of 490,107,177 Shares for allotment and issue to holders of Shares on the register of members of the Company as at the close of business on 14th December, 2001 in proportion to their then shareholdings in the Company (the "Capitalisation Issue");
- (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 a waiver of any conditions thereunder) and not being terminated in accordance with the terms of that agreement or otherwise, the Placing and the Over-allotment Option were approved and the Directors were authorised to allot and issue the New Shares, to approve, subject only to stamping, the transfer of the Sale Shares and to allot and issue the Shares which may be required to be issued if the Over-allotment Option is exercised;
- (c) the rules of the Pre-IPO Share Option Plan were approved and adopted, and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and subject to (i) the GEM Listing Committee granting the listing of, and permission to deal in, any Shares which may fall to be issued pursuant to the exercise of any options granted 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) thereunder) and not being terminated in accordance with the terms of that agreement or otherwise, to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Pre-IPO Share Option Plan and to take all such steps as it considers necessary or desirable to implement the Pre-IPO Share Option Plan;
- (d) conditional on (i) the GEM Listing Committee granting the listing of, and permission to deal in, any Shares which may fall to be issued pursuant to the exercise of any such option 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) thereunder) and not being terminated in accordance with the terms of that agreement or otherwise, the rules of the Share Option Scheme were approved and adopted, and the Directors were authorised, in their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme and to take all such steps as it considers necessary or desirable to implement the Share Option Scheme;

- (e) a general unconditional mandate was given to the Directors to allot, issue and deal with (otherwise than by way of rights issue or pursuant to the exercise of options granted under the Pre-IPO Share Option Plan or the Share Option Scheme), on behalf of the Company, Shares with an aggregate nominal value not exceeding the sum of:
 - (i) 20% of the aggregate nominal amount of the share capital of the Company in issue and to be issued as mentioned herein taking into account the Capitalisation Issue (including, in the event that the Over-allotment Option is exercised, the total nominal value of share capital of the Company which is issued pursuant to the Over-allotment Option); and
 - (ii) the aggregate nominal amount of the share capital of the Company purchased under the authority referred to in paragraph (f) below;
- (f) a general unconditional mandate was given to the Directors to exercise all the powers of and on behalf of the Company to purchase 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 Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued as mentioned herein taking into account the Capitalisation Issue (including, in the event the Over-allotment Option is exercised, the total nominal amount of the share capital of the Company which is issued pursuant to the exercise of the Over-allotment Option);
- (g) the Company adopted its existing memorandum and articles of association and the Company was converted into a public company; and
- (h) the authorised share capital of the Company was increased from HK\$10,000,000 to HK\$100,000,000 by the creation of 900,000,000 additional Shares ranking pari passu with the existing Shares in all respects.

Each of the general mandates referred to in paragraphs (e) and (f) above will remain in effect until the conclusion of the next annual general meeting of the Company, the expiration of the period within which the next annual general meeting of the Company is required by Hong Kong law or the articles of association of the Company to be held or when it is revoked or varied by an ordinary resolution by the shareholders of the Company in general meeting, whichever is the earliest.

4. Corporate reorganisation

The companies comprising the Group underwent a change in shareholding structure in preparation for the listing of the Shares on GEM which involved the following:

- (a) On 17th July, 2001, the Company acquired a 10% equity interest in COL from Cyber Campus Networks Limited in consideration of the transfer to Cyber Campus Networks Limited of 2,556,400 shares in Corpmart.com Limited and the allotment and issue of 78,009 Shares to Cyber Campus Networks Limited credited as fully paid. The Company thereby increased its indirect equity interest in COL from 70% to 80%.

- (b) On 17th July, 2001, COL allotted and issued 50,000,000 new shares to Codebank IMA Limited thereby increasing the Company's indirect equity interest in COL to 90%.

5. Changes in share capital of subsidiaries

The Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I.

The following alterations in the share capital of the Company's subsidiaries have taken place within the two years preceding the date of this prospectus:

- (i) On 1st January, 2000, 69,998 shares of HK\$0.10 each in COL were allotted and issued to Codebank IMA Limited in consideration of HK\$6,999.80 payable in cash.
- (ii) On 1st January, 2000, 30,000 shares of HK\$0.10 each in COL were allotted and issued to Cyber Campus Networks Limited in consideration of HK\$3,000 payable in cash.
- (iii) On 28th April, 2000, 6,930,000 shares of HK\$0.10 each in COL were allotted and issued to Codebank IMA Limited in consideration of HK\$693,000 payable in cash.
- (iv) On 28th April, 2000, 2,970,000 shares of HK\$0.10 each in COL were allotted and issued to Cyber Campus Networks Limited in consideration of HK\$297,000 payable in cash.
- (v) On 6th May, 2000, 9,998 Shares of HK\$0.10 each in CBIT were allotted and issued to the Company in consideration of HK\$999.80 payable in cash.
- (vi) On 7th June, 2000, 6,998 shares of HK\$0.10 each in MAP were allotted and issued to the Company in consideration of HK\$699.80 payable in cash.
- (vii) On 7th June, 2000, 3,000 shares of HK\$0.10 each in MAP were allotted and issued to iAssociates Limited in consideration of HK\$300 payable in cash.
- (viii) On 26th July, 2000, COL increased its authorised share capital from HK\$2,000,000 to HK\$10,000,000 by the creation of 80,000,000 new shares of HK\$0.10 each.
- (ix) On 1st August, 2000, MAP increased its authorised share capital from HK\$1,000,000 to HK\$3,000,000 by the creation of 20,000,000 new shares of HK\$0.10 each.
- (x) On 1st August, 2000, 13,993,000 shares of HK\$0.10 each in MAP were allotted and issued to the Company in consideration of HK\$1,399,300 payable in cash.
- (xi) On 1st August, 2000, 5,997,000 shares of HK\$0.10 each in MAP were allotted and issued to iAssociates Limited in consideration of HK\$599,700 payable in cash.
- (xii) On 4th October, 2000, 28,000,000 shares of HK\$0.10 each in COL were allotted and issued to Codebank IMA Limited in consideration of HK\$2,800,000 payable in cash.

- (xiii) On 4th October, 2000, 12,000,000 shares of HK\$0.10 each in COL were allotted and issued to Cyber Campus Networks Limited in consideration of \$1,200,000 payable in cash.
- (xiv) On 11th April, 2001, MAP increased its authorised share capital from HK\$3,000,000 to HK\$3,285,714.30 by the creation of 2,857,143 redeemable preference shares of HK\$0.10 each.
- (xv) On 11th April, 2001, 2,857,143 redeemable preference shares in MAP were allotted and issued to HTC Partners L.P. at a consideration of US\$500,000 payable in cash.
- (xvi) On 17th July, 2001, 50,000,000 shares of HK\$0.10 each in the share capital of COL were allotted and issued to Codebank IMA Limited for cash at par.

Save as aforesaid and as set out under the heading "Corporate reorganisation" in this Appendix, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years preceding the date of this prospectus.

6. Repurchase by the Company of its own securities

(a) *Exercise of the Buyback Mandate*

Exercise in full of the Buyback Mandate, on the basis of 600,000,000 Shares in issue immediately after completion of the Placing and the Capitalisation Issue (assuming the Over-allotment Option is not exercised), could result in up to 60,000,000 Shares being repurchased by the Company during the period until (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 of the Company, or (iii) the revocation, variation or renewal of the Buyback Mandate by ordinary resolution of the shareholders of the Company in general meeting, whichever occurs first.

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of the Company and its shareholders to have a general authority from shareholders to enable the Directors to repurchase Shares in the market. 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.

(c) *Funding of repurchases*

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association. The Company may not repurchase 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.

(d) *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 such 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 maintenance of 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 articles of association of the Company.

None of the Directors and to the best of their knowledge, having made all reasonable enquiries, none of their respective associates, has any present intention, if the Buyback Mandate is exercised, to sell any Shares to the Company or its subsidiaries.

No connected person (as defined in the GEM Listing Rules) of the Company has notified the Company that he or she has a present intention to sell Shares to the Company, or has undertaken 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 group of shareholders acting in concert (as defined under the Code), depending on the level of increase in the shareholder's interests, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Code as a consequence of any repurchase pursuant to the Buyback Mandate.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) an instrument of transfer and bought and sold notes dated 19th January, 2000 and a declaration of trust executed by Mr. Yu Hang Chung, Herman dated 19th January, 2000 wherein the Company beneficially acquired from Mr. Yu Hang Chung, Herman 10,000 shares in Codebank IMA Limited for HK\$10,000;
- (b) a sale and purchase and subscription agreement dated 4th March, 2000 entered into between Mr. Yu Hang Chung, Herman, Mr. Kam Chun Ying, Francis, Mr. Ng Wing Hong, Mr. Suen Kwok Kin, Techrich Ltd., HyComm and the Company, as supplemented by an agreement dated 25th March, 2000, an agreement dated 15th April, 2000, an agreement dated 26th April, 2000 and an agreement dated 15th May, 2000 wherein HyComm acquired and subscribed for an aggregate of 498,169 Class A shares of HK\$0.10 each in the Company in consideration of the allotment and issue of 61,300,000 shares in HyComm credited as fully paid;
- (c) a letter agreement dated 15th September, 2000 entered into between the Company and Digikap Asia Limited wherein the Company appointed Digikap Asia Limited as financial adviser to the Group with respect to the Placing;
- (d) a shares subscription agreement dated 15th December, 2000 entered into between the Company and Allied Luck Company Limited wherein Allied Luck Company Limited subscribed for 162,995 Class A shares of HK\$0.10 each in the Company at a consideration of HK\$6,500,000;

- (e) a shares subscription agreement dated 5th January, 2001 entered into between the Company and Bestcharm Holdings Limited wherein Bestcharm Holdings Limited subscribed for 81,498 Class A shares of HK\$0.10 each in the Company for a total consideration of HK\$3,250,000;
- (f) a shares subscription agreement dated 7th February, 2001 entered into between the Company and AsiaMediaShop Limited wherein AsiaMediaShop Limited subscribed for 193,072 Class A shares of HK\$0.10 each in the Company for HK\$6,500,000;
- (g) a shares subscription agreement dated 1st March, 2001 entered into between the Company and CBC Information Technology Limited wherein CBC Information Technology Limited subscribed for 193,072 Class A shares of HK\$0.10 each in the Company at a consideration of HK\$6,500,000;
- (h) a subscription and shareholders agreement dated 16th March, 2001 entered into between HTC Partners, L.P., MAP, the Company and iAssociates Limited wherein HTC Partners, L.P. subscribed for 2,857,143 redeemable preference shares in MAP for US\$500,000;
- (i) a shares subscription agreement dated 11th April, 2001 entered into between the Company, One Trend Net Holdings Limited, Mr. Yu Hang Chung, Herman, Mr. Kam Chun Ying, Francis, Mr. Ng Wing Hong, Mr. Suen Kowk King, Digikap Asia and HyComm and wherein One Trend Net Holdings Limited subscribed for 433,383 Class A shares of HK\$0.10 each in the Company for HK\$30,000,000;
- (j) an agreement dated 11th April, 2001 entered into between the Company, One Trend Net Holdings Limited and Aionnet, wherein Aionnet has agreed to procure network service providers to provide the Company with high speed circuits linking up various cities in the PRC;
- (k) a sale and purchase agreement dated 17th July, 2001 entered into between the Company and Cyber Campus Networks Limited wherein the Company acquired 5,000,000 shares in COL in consideration of the transfer of 2,556,400 shares in Corpmart.com Limited and the allotment and issue of 78,009 Shares to Cyber Campus Networks Limited;
- (l) a sale and purchase agreement dated 19th July, 2001 entered into between the Company and Mr. Yu Hang Chung, Herman wherein the Company acquired from Mr. Yu Hang Chung, Herman 1,860,000 shares in Corpmart.com Limited in consideration of the Company issuing a promissory note in favour of Mr. Yu Hang Chung, Herman of HK\$2,281,600;
- (m) a capitalisation deed dated 19th July, 2001 entered into between the Company and Mr. Yu Hang Chung, Herman pursuant to which the Company has agreed to capitalise an outstanding promissory note by the allotment and issue of 77,417 Shares to Mr. Yu Hang Chung, Herman credited as fully paid;
- (n) a deed dated 29th November, 2001 entered into between, the Company, One Trend Net Holdings Limited, Aionnet, Super Code Limited, Mr. Yu Hang Chung, Herman, Mr. Kam Chun Ying, Francis, Mr. Ng Wing Hong, Mr. Suen Kwok Kin, Digikap Asia Limited and HyComm, in relation to the amendments of certain terms of the shares subscription agreement and the agreement mentioned in (i) and (j) above respectively;
- (o) the Underwriting Agreement; and
- (p) the Deed of Indemnity dated 17th December, 2001 entered into between Super Code Limited, HyComm, Mr. Cheng Yu Hong, Mr. Suen Kwok Kin, Mr. Kam Chun Ying, Francis, Mr. Ng Wing Hong, Ms. Lam Ching Shan and Mr. Yu Hang Chung, Herman and the Company referred to in the paragraph headed "Estate duty, tax and property indemnities" in this Appendix.

2. Intellectual property

As at the Latest Practicable Date, the Group has applied for the registration of the following trademarks:

Trademark	Place of Application	Class (Note)	Application Date	Application Number
CODE/BANK (in series)	Hong Kong	41	22nd March, 2001	04669 of 2001
CODE/BANK (in series)	Hong Kong	42	22nd March, 2001	04670 of 2001
CODEBANK 數碼庫 (in series)	Hong Kong	41	22nd March, 2001	04671 of 2001
CODEBANK 數碼庫 (in series)	Hong Kong	42	22nd March, 2001	04672 of 2001
CAMPUS ONLINE SHANGHAI (in series)	Hong Kong	41	22nd March, 2001	04673 of 2001
CAMPUS ONLINE SHANGHAI (in series)	Hong Kong	42	22nd March, 2001	04674 of 2001
CBIT (in series)	Hong Kong	42	22nd March, 2001	04675 of 2001
OPENCAMPUS (in series)	Hong Kong	41	22nd March, 2001	04676 of 2001
OPENCAMPUS (in series)	Hong Kong	42	22nd March, 2001	04677 of 2001
CODEBANK (in series)	PRC	41	25th April, 2001	2001067072
CODEBANK (in series)	PRC	42	25th April, 2001	2001067073
CODEBANK 數碼庫	PRC	41	25th April, 2001	2001067074
CODEBANK 數碼庫	PRC	42	25th April, 2001	2001067075
 校园在线	PRC	41	25th April, 2001	2001067076
 校园在线	PRC	42	25th April, 2001	2001067077
CBIT	PRC	42	25th April, 2001	2001067078
 OpenCampus 开天网校	PRC	41	21st June, 2001	2001107252
 OpenCampus 开天网校	PRC	42	21st June, 2001	2001107253

Note: The specification of goods or services to be registered under class 41 includes, inter alia, educational and training services relating to computer apparatus, computer software, data processing apparatus and telecommunications apparatus and instruments.

The specification of goods or services to be registered under class 42 includes, inter alia, computer services, computer service provider on-line from the Internet, software design and development.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

1. Interests of directors in the share capital of the Company following the Placing

Immediately following completion of the Placing and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and taking no account of Shares which may be taken up under the Placing, Shares which may fall to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Plan and options to be granted under the Share Option Scheme), the interests of the Directors in the shares and the share capital of any 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 under Section 31 of, or Part I of the Schedule to, the SDI Ordinance) once the Shares are listed, or which will be required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein once the Shares are listed, or which will be required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange once the Shares are listed, will be as follows:

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interest	Other Interests	Total
The Company	Mr. Yu Hang Chung, Herman	nil	nil	186,207,496 (Note 1)	nil	186,207,496
The Company	Mr. Kam Chun Ying, Francis	3,120,201	nil	7,876,577 (Note 2)	nil	7,876,577
The Company	Mr. Suen Kwok Kin	3,039,173	nil	7,653,128 (Note 3)	nil	7,653,128
The Company	Mr. Cheng Yu Hong	nil	nil	10,655,450 (Note 4)	nil	10,655,450

Note 1: These Shares are held by Super Code Limited, which Mr. Yu Hang Chung, Herman is a shareholder holding approximately 72.02% of its issued share capital.

Note 2: These Shares are held by Super Code Limited, which Mr. Kam Chun Ying, Francis is a shareholder holding approximately 4.23% of its issued share capital.

Note 3: These Shares are held by Super Code Limited, which Mr. Suen Kwok Kin is a shareholder holding approximately 4.11% of its issued share capital.

Note 4: These Shares are held by Digikap Asia Limited, a company wholly owned by Mr. Cheng Yu Hong.

So far as the Directors are aware, and taking no account of Shares which may be taken up under the Placing and Shares which may be issued pursuant to the exercise of the Over-allotment Option, the options granted pursuant to the Pre-IPO Share Option Plan and options to be granted pursuant to the Share Option Scheme, the following (not being Directors of the Company) will, immediately following the completion of the Placing and the Capitalisation Issue, be interested in 10% or more of the voting power at general meetings of members of the Group:

Name of Owner	Name of Company	Number of shares/ equity interest	Percentage holding
Super Code Limited	The Company	186,207,496	31.04
HTC Partners, L. P.	MAP	2,857,143	12.50
iAssociates Limited	MAP	6,000,000	26.25
Cyber Campus Networks Limited	COL	10,000,000	10.00

2. Particulars of service contracts

Each of Mr. Yu Hang Chung, Herman, Mr. Suen Kwok Kin, Mr. Kam Chun Ying, Francis and Mr. Cheng Yu Hong, being the executive Directors, has entered into a service contract with the Company, which will commence on the Listing Date, for a term of two years subject to termination thereafter by not less than three months' notice in writing served by either party on the other. Each of these executive Directors is entitled to the basic salary set out below (subject to annual review).

The remuneration of each of Mr. Yu Hang Chung, Herman, Mr. Suen Kwok Kin, Mr. Kam Chun Ying, Francis and Mr. Cheng Yu Hong per month is HK\$100,000, HK\$70,000, HK\$70,000 and HK\$70,000 respectively.

Each of the executive Directors is entitled to an annual discretionary bonus decided by the majority of the board of Directors.

Save as disclosed above, none of the Directors has entered into any service agreement 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).

3. Directors' remuneration

The aggregate of the remuneration paid or payable to the Directors for the period from 23rd July, 1999 to 31st December 1999, the year ended 31st December, 2000 and the period from 1st January, 2001 to 30th September, 2001 were approximately HK\$433,000, HK\$3,540,000 and HK\$2,521,000 respectively.

The remuneration of each of the executive Directors, namely Mr. Yu Hang Chung, Herman, Mr. Kam Chun Ying, Francis, Mr. Suen Kwok Kin and Mr. Cheng Yu Hong per month is HK\$100,000, HK\$70,000, HK\$70,000 and HK\$70,000 respectively.

The remuneration of each of the non-executive Directors, namely Mr. Woo Chia Wei, Mr. Choy Mun Kei, Dr. Lau Wah Sum and Mr. Cheung Chun Ying, Victor per month is HK\$20,000, nil, HK\$40,000 and HK\$20,000 respectively.

Under the present arrangement, the aggregate of the Directors' fees and remuneration paid or payable to, and benefits in kind received or receivable by, the Directors for the year ending 31st December, 2001 are estimated to be approximately HK\$3,400,000.

4. Interests of other management and staff in the Company and the Placing

Save as disclosed herein:

- (a) taking no account of the Shares which may be taken up under the Placing, the Shares to be issued pursuant to the Over-allotment Option and the exercise of options granted under the Pre-IPO Share Option Plan and the Share Option Scheme, none of the Directors or chief executive of the Company has any interest in the equity or debt securities of the Company or any of its associated corporation (within the meaning of the SDI Ordinance) which will have to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which he will be taken or deemed to have under Section 31 of, or Part I of the Schedule to, the SDI Ordinance) once the Shares are listed, or which will be required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein once the Shares are listed, or which will be required to be notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules once the Shares are listed;

- (b) none of the Directors or experts referred to in the paragraph headed “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of the Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) none of the Directors or experts referred to in the paragraph headed “Consents of experts” 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 taken as a whole;
- (d) none of the Directors has any existing or proposed service contracts 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));
- (e) taking no account of any Shares which may be taken up under the Placing, the Directors are not aware of any person (not being a Director or chief executive of the Company) who will, immediately following completion of the Placing, be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and
- (f) none of the experts referred to in the paragraph headed “Consents of experts” 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.

5. Personal guarantees

The two principal bankers of the Group have agreed in principle that the personal guarantees given by Mr. Yu Hang Chung, Herman will be released upon the listing of the Shares on GEM and will be replaced by a charge over deposit placed by the Group and other security and guarantees to be provided by the Group.

6. Agency fees or commissions received

The Underwriters will receive an underwriting commission of 2.5% of the Offer Price per Placing Share, out of which they will pay any sub-underwriting commissions and selling concessions. The Sponsor will receive a fee as mentioned in the paragraph headed “Commission and expenses” in the section headed “Underwriting” of this prospectus. All other costs and expenses incurred in the Placing payable by the Company and the Vendor have been specified in the paragraph headed “Commission and expenses” in the section headed “Underwriting” of this prospectus.

7. Related party transactions

The Group has entered into related party transactions within the two years immediately preceding the date of this prospectus as mentioned in the note 5(x) to the section headed “Notes to Financial Information” of the accountants’ report set out in Appendix I to this prospectus.

D. SHARE OPTIONS**1. Summary of terms of the Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the shareholders of the Company by way of written resolution passed on 7th December, 2001. The purpose of the Share Option Scheme is to enable the Company to grant options to selected persons as incentives or rewards for their contribution or future contribution to the Group.

(a) Who may join

The Board may, on the basis of a Participant's work performance and his/her contribution towards the growth of the Group, offer any Participant options to subscribe for such number of new Shares as the board of Directors may determine at any exercise price determined in accordance with paragraph (b) below. Upon acceptance of the option, the Grantee shall pay HK\$1.00 to the Company by way of consideration for the grant. For the purpose of this section, unless the context otherwise requires, "Employee" means any employee (including Directors) of the Group, "Grantee" means any Participant who has been offered and accepted an option in accordance with the terms of the Share Option Scheme and "Participant" means any employee and other consultants and/or advisers who have contributed or may contribute to the Group.

(b) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the board of Directors in its absolute discretion shall determine, save that such price will not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets on the five business days immediately preceding the date of grant of the option and (iii) the nominal value of a Share. The date of grant is the date on which the option is offered provided it is accepted within 28 business days of the date of offer.

(c) Maximum number of Shares

- (i) Subject to sub-paragraphs (ii) (iii) and (iv) below, the overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other share option schemes of the Group must not exceed 30% of the Shares in issue from time to time ("Scheme Limit").
- (ii) The Shares which are the subject of options that may be granted immediately after the listing of the Shares on GEM must not exceed 10% of the Shares in issue on the Listing Date, (the "Scheme Mandate Limit") unless approval of the shareholders of the Company has been obtained pursuant to sub-paragraph (iii) and (iv) below. Options lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Group will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (iii) Subject to sub-paragraph (i) above, the Company may renew the Scheme Mandate Limit at any time subject to prior shareholders' approval. However, the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of the aforesaid shareholders' approval. Options previously granted under the Share Option Scheme and other share option schemes of the Group (including those

outstanding, cancelled, lapsed in accordance with the schemes or exercised options) will not be counted for the purpose of calculating the limit as renewed. A circular containing such information required under the GEM Listing Rules must be sent to shareholders in connection with the meeting at which their approval will be sought.

- (iv) Subject to sub-paragraph (i) above, the Company may also seek separate shareholders' approval for granting options beyond the Scheme Mandate Limit to Participants specifically identified by the Company before the aforesaid shareholders' meeting where such approval is sought. A circular must be sent to shareholders containing a generic description of the identified Participants, the number and terms of the options to be granted, the purpose of granting options to the identified Participants, and how these options serve such purpose and such information required under the GEM Listing Rules.
 - (v) The total number of Shares issued and to be issued upon exercise of the options granted and to be granted to each Participant or Grantee (as the case may be) (including both exercised and outstanding options) in any 12-month period up to and including the date of grant must not exceed 1% of the Shares in issue at the date of grant (the "Individual Limit"). Any further grant of options in excess of the Individual Limit must be subject to shareholders' approval with such Participant or Grantee (as the case may be) and his associates (as such term is defined in the GEM Listing Rules) abstaining from voting. A circular must be sent to shareholders disclosing the identity of the Participant or Grantee (as the case may be), the number and terms of the options granted and to be granted and such information required under the GEM Listing Rules. The number and terms of options to be granted to such Participants or Grantee, as the case may be, must be fixed before shareholders' approval is sought and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.
- (d) *Restrictions on grant of option*
- (i) An offer 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 earlier of (i) the date of the board of Directors' meeting for the approval of the Company's annual, half-year or quarter-year results; and (ii) the deadline for the Company to publish its annual, half-year or quarter-year results announcements under the GEM Listing Rules, no option should be granted until such information has been announced pursuant to the requirements of Chapter 16 of the GEM Listing Rules.
 - (ii) the grant of options to a connected person of the Company or its associates (as such terms are defined in the GEM Listing Rules) requires the approval of independent non-executive Directors (excluding the independent non-executive Director who is the Grantee of the options). Where any grant of options to a substantial shareholder or an independent non-executive Director or their respective associates will result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised and outstanding) to such person in the 12-month period up to the date of grant to exceed of 0.1% of the Shares in issue and an aggregate value, based on the closing price of the Shares at the date of each grant, of HK\$5 million, such grant of options must be subject to shareholders' approval taken on a poll. All connected persons must abstain from voting, except that any connected person may vote against the resolution provided that this intention to do so has been stated in the circular to shareholders seeking their approval;

- (iii) Shareholders' approval as described above is also required for any change in the terms of options granted to a Grantee who is a substantial shareholder, an independent non-executive Director or their respective associates;
- (iv) The abovenamed circular must contain the following:
- details of the number and terms of the options to be granted to each Participant (which must be fixed before shareholders' approval) and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price;
 - a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a Grantee) as to voting; and
 - information relating to any Directors who are trustees of the Share Option Scheme or have a direct or indirect interest in the trustees.

The requirements for the granting of options to a Director or chief executive of the Company set out above do not apply where the Participant is only a proposed director or chief executive of the Company.

(e) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme during the period to be determined and notified by the board of Directors to each Grantee but may not be exercised after the expiry of ten years from the date of grant of the option. Subject to compliance with the above, the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

The Share Option Scheme does not require a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised, unless the board of Directors otherwise determined and stated in the offer of the grant of options to the Grantee.

(f) Rights are personal to Grantee

An option shall not be assignable and is personal to the Grantee and may be exercised or treated as exercised, as the case may be, in whole or in part.

(g) Rights on cessation of employment by death

If the Grantee who is an employee ceases to be an employee of the Group or its subsidiaries by reason of death and none of the events referred to in (h) below as a ground for termination of his or her employment by the Group arises, his personal representatives may exercise the option (to the extent not already exercised) within a period of twelve months thereafter, failing which it will lapse.

(h) Rights on cessation of employment by dismissal

If the Grantee who is an employee ceases to be an employee of the Group or its subsidiaries on the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable on the date of termination of his employment.

(i) *Rights on cessation of employment for other reasons*

If the Grantee who is an employee leaves the services or ceases to be a director of the Group for any reason other than an event referred to in (h) above as a ground for termination, his or her option may be exercised at any time within 6 months following the date of cessation which date shall be the last actual working date with the Company or the relevant subsidiary, whether salary is paid in lieu of notice or not.

(j) *Effects of alterations to share capital*

In the event of capitalisation of profits or reserves, rights issue, consolidation, subdivision, or reduction of the share capital of the Company such corresponding alterations (if any) shall be made in the aggregate number of Shares in respect of which options may be granted subject to outstanding options so far as unexercised and/or the subscription price per Share of each outstanding option or the method of exercise of the option as the Company's independent financial adviser or auditors of the Company shall certify in writing to the Board to be in their opinion fair and reasonable (except in the case of a capitalisation issue where no such certification is required). Any such alterations will be made on the basis that the aggregate subscription price payable on the full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value or which would increase the proportion of the issued share capital of the Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration. The issue of securities as consideration in a transaction is not to be regarded as circumstances requiring any such alteration.

(k) *Rights on a general offer*

In the event of a general offer being made to all holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, the Grantee (or his legal personal representatives) shall be entitled to exercise the option in full (to the extent not already exercised) or to the extent specified in such notice.

(l) *Rights on winding up*

In the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or his or her legal personal representatives) may by notice in writing to the Company (such notice to be received by the Company not later than four business days prior to the proposed shareholders' meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise.

(m) *Rights on compromise or arrangement*

In the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with the scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the Grantee (or his personal representatives) may by notice in writing to the Company accompanied by the remittance for the exercise price in respect of the relevant option (such notice to be received by the Company not later than two business days prior to the proposed meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise credited as fully paid and register the Grantee as holder thereof.

(n) *Ranking of Shares*

Shares allotted and issued on the exercise of options will rank *pari passu* with the other fully-paid Shares in issue on the date of issue, save that they will not be entitled to participate in any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of issue.

(o) *Period of the Share Option Scheme*

Subject to the earlier termination by the Company in general meeting or by the board of Directors, the Share Option Scheme shall be valid and effective for a period of ten years from 7th December 2001, the date on which the Share Option Scheme was conditionally adopted by the Company.

(p) *Alterations to the Share Option Scheme*

The Share Option Scheme may be altered in any respect by the board of Directors except that the provisions of the Share Option Scheme relating to the matters set out in rule 23.03 of the GEM Listing Rules cannot be altered to the advantage of the Grantees except with the approval of shareholders of the Company in general meeting with Participants and their respective associates abstaining from voting. Any alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted under the Share Option Scheme which are of a material nature must be approved by shareholders of the Company in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. Any change to the authority of the board of Directors or the scheme administrators in relation to any alteration of the terms of the Share Option Scheme shall be approved by shareholders of the Company in general meeting. The amended terms of the Share Option Scheme or the options to be granted thereunder must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules from time to time.

(q) *Termination of Share Option Scheme*

The Company by ordinary resolution in general meeting or the board of Directors may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options which are granted during the life of the Share Option Scheme and remain unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be exercisable in accordance with their terms of issue within one month after the termination of the operation of the Share Option Scheme.

(r) *Cancellation of options granted*

Subject to the consent from the relevant Grantee, the board of Directors may in its discretion cancel options previously granted to, and yet to be exercised by, such Grantee for the purpose of re-issuing new options to such Grantee provided that such cancellation has been approved by shareholders in general meeting and there are sufficient available unissued options (excluding such cancelled options) for such re-issuance under the Scheme Mandate Limit.

2. Present status of the Share Option Scheme

The Share Option Scheme is conditional on the GEM Listing Committee granting the listing of and permission to deal in the Shares to be issued as mentioned therein.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

The Share Option Scheme shall be administered by a committee including the independent non-executive Directors of the Company.

3. Summary of terms of the Pre-IPO Share Option Plan

The purpose of the Pre-IPO Share Option Plan is to recognise the contribution of certain persons to the growth of the Group and/or to the listing of Shares on GEM. The principal terms of the Pre-IPO Share Option Plan, approved by resolutions of the shareholders of the Company dated 7th December, 2001 are the same as the terms of the Share Option Scheme except that:

- (a) the subscription price for Shares is set out in the table below;
- (b) the total number of Shares subject to the Pre-IPO Share Option Plan is 60,000,000;
- (c) save for the options which have been granted (see below) no further options will be offered or granted, as the right to do so will terminate on the listing of the Shares on GEM;
- (d) the Options granted under the Pre-IPO Share Option Plan are to employees (including non-executive Directors) and consultants of the Group and to those persons who have contributed to the Group or to the listing of the Placing Shares on GEM; and
- (e) there are no similar restrictions on the maximum number of Shares and the granting of options as summarised in sub-paragraphs (c) and (d) of the paragraph headed "Summary of terms of the Share Option Scheme" respectively under the section headed "Share Options" in this Appendix.

4. Outstanding options under the Pre-IPO Share Option Plan

As at the date of this prospectus, options to subscribe for an aggregate of 60,000,000 Shares (representing approximately 10% of the issued share capital of the Company upon completion of the Placing and the Capitalisation Issue but before enlargement by the allotment and issue of Shares pursuant to the exercise of the Over-allotment Option and the exercise of options granted or to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme) have been granted by the Company under the Pre-IPO Share Option Plan. The allotment of Shares upon the exercise of share options is conditional upon, inter alia, the GEM Listing Committee granting the listing of and permission to deal in the Shares in issue and to be issued as mentioned herein. All of these options have a duration of 10 years from 7th December 2001. Options shall lapse if the relevant grantee ceases to be employed by or appointed by the Group or ceases to be a Director other than by reason of death or cessation of employment by virtue of inter alia, misconduct, bankruptcy or dishonesty. There are different levels of discount given to the grantees on the basis that each grantee had given different levels of contribution to the Group at different stages of development and growth and are also based on the seniority of such grantee. The term of grant of options to

the Directors and the senior management of the Group under the Pre-IPO Share Option Plan provides that such options may not be exercisable for the first twelve month period from the Listing Date. Particulars of the outstanding options granted are set out below:

Name of grantee	Address	Number of underlying Shares	% of Issued share capital	Title/position	Subscription Price (HK\$)
Mr. Yu Hang Chung, Herman	Room 102, 13th Floor, Imperial Court, 79 Waterloo Road, Kowloon, Hong Kong	7,680,000	1.28%	executive Director	1,280,000 at 30% discount to Offer Price
					6,400,000 at 70% discount to Offer Price
Mr. Ng Wing Hong	Flat 3, 2nd Floor, Kam Chun House, Tung Chun Court, Shau Kei Wan, Hong Kong	5,760,000	0.96%	senior management	1,280,000 at 30% discount to Offer Price
					4,480,000 at 70% discount to Offer Price
Mr. Suen Kwok Kin	13th Floor, 100 Robinson Road, Hong Kong	5,760,000	0.96%	executive Director	1,280,000 at 30% discount to Offer Price
					4,480,000 at 70% discount to Offer Price
Mr. Kam Chun Ying, Francis	Flat 15 D, Block 24, City One, Shatin, New Territories, Hong Kong	5,760,000	0.96%	executive Director	1,280,000 at 30% discount to Offer Price
					4,480,000 at 70% discount to Offer Price
Mr. Cheng Yu Hong	4C, 70 Conduit Road, Mid-Levels, Hong Kong	6,722,500	1.12%	executive Director	5,422,500 at 50% discount to Offer Price
					1,300,000 at 70% discount to Offer Price
Mr. Chan Kwok Wai, Andrew	4G, Tower 10, Lakeside de Garden, 1 Chui Tong Road, Sai Kung, Hong Kong	2,540,000	0.42%	senior management	2,540,000 at 50% discount to Offer Price
Mr. Lo Hoi Keung	Suite 3207, 32nd Floor Tower B, Galaxia, Diamond Hill, Kowloon, Hong Kong	1,900,000	0.32%	senior management	1,900,000 at 50% discount to Offer Price
Ms. Lam Ching Shan	Flat G, 6th Floor, Kai King Building, 12 Yuet Wah Street, Kwun Tong, Kowloon, Hong Kong	4,927,500	0.82%	senior management	4,777,500 at 50% discount to Offer Price 150,000 at 30% discount to Offer Price
Mr. Tang Gan Gene	11th Floor, 90 Waterloo Road, Kowloon, Hong Kong	1,500,000	0.25%	senior management	1,500,000 at 50% discount to Offer Price

Name of grantee	Address	Number of underlying Shares	% of Issued share capital	Title/position	Subscription Price (HK\$)
Mr. So Wan (Note 1)	Flat G, 40th Floor, Block 4, Metropolis, Tsueng Kwan O, Kowloon, Hong Kong	1,200,000	0.20%	business consultant (Note 7)	1,200,000 at 30% discount to Offer Price
Mr. Woo Chia-wei	SSQ Tower 19, Flat 5B, HKUST Clearwater Bay, Hong Kong	2,000,000	0.33%	non-executive Director	2,000,000 at 30% discount to Offer Price
Mr. Lam Sze Chau (Note 2)	Flat C3, 8th Floor, Block C, Elizabeth House, Gloucester Road, Hong Kong	1,900,000	0.32%	business consultant (Note 7)	1,900,000 at 50% discount to Offer Price
Mr. James N. Borton (Note 3)	1 Timber Lane Westport CT 06880 USA	300,000	0.05%	business consultant (Note 7)	300,000 at 30% discount to Offer Price
Mr. Wu Ming Wai Louie (Note 4)	14B, Merry Court, 10 Castle Road, Mid-Levels, Hong Kong	800,000	0.13%	business consultant (Note 7)	800,000 at 50% discount to Offer Price
Ms. Chiang Lai Wan (Note 5)	Tatiara, Lot No. 561, in.D.D. 187, Shatin, New Territories, Hong Kong	2,000,000	0.33%	business consultant (Note 7)	2,000,000 at 30% discount to Offer Price
Mr. Lai Yiu Keung (Note 6)	19B, Serene Court, 41 Tin Hau Temple Road, Hong Kong	2,000,000	0.33%	business consultant (Note 7)	2,000,000 at 50% discount to Offer Price
Mr. Auyeung Hui	5/F, 361 Prince Edward Road, Kowloon, Hong Kong	500,000	0.09%	employee	500,000 at 50% discount to Offer Price
Ms. Carmen Lee	2B, 252-256 Prince Edward Road West, Kowloon, Hong Kong	350,000	0.06%	employee	350,000 at 50% discount to Offer Price
Ms. Cheng Lai Fun	8D, Block 6, Castello, 69 Siu Lek Yuen Road, New Territories, Hong Kong	200,000	0.03%	employee	200,000 at 50% discount to Offer Price
Ms. Huang An Lee	6H, 129 King's Road, Hong Kong	100,000	0.02%	employee	100,000 at 50% discount to Offer Price
Ms. Kan Man Chi	28C, Block 1, Villa Athen, Ma On Shan, New Territories, Hong Kong	400,000	0.07%	employee	400,000 at 50% discount to Offer Price

Name of grantee	Address	Number of underlying Shares	% of Issued share capital	Title/position	Subscription Price (HK\$)
Mr. Kwok Chi Fai	Room 2, Flat 14, Ning Fu House, Tin Fu Court, Tin Shui Wai, New Territories, Hong Kong	250,000	0.04%	employee	250,000 at 50% discount to Offer Price
Mr. Lai King Chiu	9H, Block One, Casades, 93 Chung Hau Street, Homantin, Hong Kong	500,000	0.08%	employee	500,000 at 50% discount to Offer Price
Ms. Lam Mei Ki	1912, Shek Kai House, Shek Lei Estate, Kwai Chung, New Territories, Hong Kong	300,000	0.05%	employee	300,000 at 50% discount to Offer Price
Ms. Lam Shuk Man	3/F, 111 Belcher's Street, Kennedy Town, Hong Kong	300,000	0.05%	employee	300,000 at 50% discount to Offer Price
Mr. Lau Kin Chung	1210, Wang Mei House, Tin Wang Court, Wong Tai Sin, Kowloon, Hong Kong	500,000	0.09%	employee	500,000 at 50% discount to Offer Price
Mr. Lau Wing Chung	2121, Tsui Ning House, Tsui Wan Estate, Chai Wan, Hong Kong	250,000	0.04%	employee	250,000 at 50% discount to Offer Price
Ms. Lee Ming Chu	Flat 13, 22/F, Foon Yan House, Tung Yan Court, Sai Wan Ho, Shau Kei Wan, Hong Kong	100,000	0.02%	employee	100,000 at 50% discount to Offer Price
Mr. Leung Kwun Tin	Flat 5, 7/F, Block Q, Luk Yeung Sun Chuen, Tsuen Wan, New Territories, Hong Kong	250,000	0.04%	employee	250,000 at 50% discount to Offer Price
Mr. Liu Kin Kei	2802, Yin Tai House, Fu Tai Estate, Tuen Mun, New Territories, Hong Kong	300,000	0.05%	employee	300,000 at 50% discount to Offer Price
Ms. Luk Nga Yee	1923, Tsuen Wing Lau, Lai Tak Tsuen, Hong Kong	250,000	0.04%	employee	250,000 at 50% discount to Offer Price
Ms. Mok Wai Ming	Lot 112, Sha Kong Wai, Lau Fau Shan, Yuen Long, New Territories, Hong Kong	300,000	0.05%	employee	300,000 at 50% discount to Offer Price

Name of grantee	Address	Number of underlying Shares	% of Issued share capital	Title/position	Subscription Price (HK\$)
Mr. Poon Wai Hoi	9/F, 464 Lockhart Road, Hong Kong	400,000	0.07%	employee	400,000 at 50% discount to Offer Price
Mr. Shek Wing Yin	Flat 5, 5/F, Polun House, Siu Lun Court, Tuen Mun, New Territories, Hong Kong	250,000	0.04%	employee	250,000 at 50% discount to Offer Price
Mr. Tjia To Nin	9A, Tower 2, The Metropolis, 8 Mau Yip Road, Tseung Kwan O, New Territories, Hong Kong	250,000	0.04%	employee	250,000 at 50% discount to Offer Price
Mr. Wan Kam Kwan	22G, Block 6, Parkland Villas, Tuen Mun, Hong Kong	250,000	0.04%	employee	250,000 at 50% discount to Offer Price
Mr. Wong Lui	9B, Block 4, Well On Garden, Junk Bay, Kowloon, Hong Kong	350,000	0.06%	employee	350,000 at 50% discount to Offer Price
Mr. Yam Wai Sun	21C, 8 Wah King Hill Road, Kwai Chung, New Territories, Hong Kong	400,000	0.07%	employee	400,000 at 50% discount to Offer Price
Mr. Yip Kin Fung	15G, Block 3 Highland Park, 11 Lai Kong Street, Kwai Chung, New Territories, Hong Kong	250,000	0.04%	employee	250,000 at 50% discount to Offer Price
Mr. Yiu Kit	3414, Tung On House, Lei Tung Estate, Ap Lei Chau, Hong Kong	250,000	0.04%	employee	250,000 at 50% discount to Offer Price
Total:		<u>60,000,000</u>	<u>10.00%</u>		

Notes:

1. Mr. So Wan is a financial consultant who assisted the Group in developing its business plan and strategies in the beginning of year 2000 and assisted the management in designing the Group's organisation structure.
2. Mr. Lam Sze Chau is a business consultant who introduced the Group to the relevant education authority in Sichuan, the PRC and assisted the Group in its negotiations with such authority in the PRC in respect of the sales of the Group's e-Education products.
3. Mr. James N. Borton contributed to the Group in respect of the conceptual development of Openday.com and assisted the Group by referring US-based e-Education-related companies, including content providers and solution providers, to the Group. Mr. James N. Borton is a journalist.
4. Mr. Wu Ming Wai Louie is a business consultant who contributed to the Group in the past by assisting the Group in providing professional advice in the establishment of wholly-owned foreign enterprises in the PRC and related co-ordination work in the PRC. Mr. Wu is a certified public accountant in Hong Kong.

5. Ms. Chiang Lai Wan is a business consultant who contributed to the Group in the past by assisting the Group in establishing marketing connections in the PRC in respect of the sales of the Group's products. Miss Chiang is a merchant and a member of Political Consultative Conference, PRC.
6. Mr. Lai Yiu Keung is a business consultant who contributed to the Group by advising the Company on the listing of the Shares on GEM. Mr. Lai is a merchant and the chairman of HyComm.
7. These business consultants of the Group do not receive any salaries or fees for their contribution to the Group since these business consultants are appointed by the Group on an ad hoc basis.

E. OTHER INFORMATION

1. Estate duty, tax and property indemnities

Each of Super Code Limited, HyComm, Mr. Cheng Yu Hong, Mr. Suen Kwok Kin, Mr. Kam Chun Ying, Francis, Mr. Ng Wing Hong, Ms. Lam Ching Shan and Mr. Yu Hang Chung, Herman (collectively the "Indemnifiers") has entered into a deed of indemnity with and in favour of the Company (for itself and as trustee for its subsidiaries and associated companies) (being the material contract mentioned in paragraph (p) under the section headed "Summary of material contracts" section of this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of the Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong) to any member of the Group on or before the date on which the Placing becomes unconditional.

Under the deed of indemnity, the Indemnifiers have also given indemnities in favour of the Group on a joint and several basis in relation to, among other things, taxation which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the Placing becomes unconditional. The Indemnifiers may, however, not be liable under the deed of indemnity for taxation where:

- (a) to the extent that provision has been made for such taxation in the audited accounts of any member of the Group up to 30th September, 2001;
- (b) the taxation falling on any member of the Group in respect of their current accounting periods or any accounting period commencing on or after 1st October, 2001 unless the liability of such taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of the Group with the prior written consent or agreement of the Indemnifiers otherwise than any such act, omission or transactions:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before 30th September, 2001;
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 30th September, 2001 or pursuant to any statement of intention made in this prospectus;
 - (iii) consisting of any member of the Group ceasing, or being deemed to cease to be a member of any group of companies or being associated with any other company for the purposes of any matter of taxation; or
- (c) to the extent of any provisions or reserve made for any taxation in the audited accounts of any member of the Group up to 30th September, 2001 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or
- (d) the taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or practice coming into force after the date on which the Placing becomes unconditional or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date on which the Placing becomes unconditional with retrospective effect.

The Indemnifiers have also given indemnifies, on a joint and several basis, in relation to, among other things, any costs, expenses, fees, claims, losses, damages, liabilities and proceedings which may be incurred or suffered by the Group arising from the Group's being evicted from its registered office situated at Units Nos. 01, 02, 03, 04 and 05 on the 28th Floor of Island Place Tower, Island Place, No. 510 King's Road, Hong Kong for the reason that there is and/or has been a breach of the non-alienation provision of the tenancy agreement in respect of such property.

2. Litigation

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 by or against any member of the Group.

3. Sponsor

Deloitte has made an application on behalf of the Company to the GEM Listing Committee for a listing of, and permission to deal in, the Shares in issue, the Shares to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of any options granted or to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme.

4. Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately HK\$10,000 and are payable by the Company.

5. Promoter and Vendor

The promoter of the Company is Mr. Yu Hang Chung, Herman. Save as disclosed in this prospectus, no cash, securities or other benefit has been paid, allotted or given to the promoter in connection with the Placing or related transactions described in this prospectus within the two years preceding the date of this prospectus.

The Vendor is Super Code Limited, a company incorporated in the British Virgin Islands whose registered address is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The Vendor is an investment holding company. The Vendor is offering 44,760,000 Shares for sale.

6. Qualification of experts

Name	Qualification	Documents
PricewaterhouseCoopers	Certified Public Accountants	Accountants' report
Sallmanns (Far East) Limited	Chartered Surveyor	Property valuation

7. Consents of experts

Each of PricewaterhouseCoopers and Sallmanns (Far East) Limited 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 opinion and/or the references to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

9. Miscellaneous

Save as disclosed in this prospectus:–

- (a) 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;
- (b) 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;
- (c) no founder, management or deferred shares of the Company have been issued or agreed to be issued;
- (d) 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 share or loan capital of the Company or any of its subsidiaries;
- (e) within the two years immediately preceding the date of this prospectus, no commission (excluding underwriting and sub-underwriting commissions) has been paid or payable for subscribing or agreeing to subscribe or procuring or agreeing to procure subscription for any Shares;
- (f) there is no minimum subscription which must be received by the Company under the Placing; and
- (g) since 30th September, 2001, there has been no material adverse change in the financial or trading position or prospects of the Group.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were the written consents referred to under the paragraph headed “Consents of experts” in Appendix IV and copies of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix IV, including where appropriate, English translations thereof and a statement as to the name, description and address of the Vendor.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Richards Butler of 20th Floor, Alexandra House, 16-20 Chater Road, Hong Kong during normal business hours up to and including 31st December, 2001:

- (a) the memorandum and articles of association of the Company;
- (b) the accountants’ report prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I;
- (c) the audited accounts which have been prepared for each of the companies comprising the Group for each of the two years ended 31st December, 1999 and 2000 and the nine months ended 30th September 2001 or from their respective dates of incorporation where there is a shorter period;
- (d) the letter, summary of values and valuation certificate relating to the property interests of the Group prepared by Sallmanns (Far East) Limited, the texts of which are set out in Appendix II;
- (e) the rules of the Pre-IPO Share Option Plan together with a list of all grantees under the Pre-IPO Share Option Plan;
- (f) the rules of the Share Option Scheme;
- (g) the service contracts referred to in the subsection headed “Particulars of service contracts” in Appendix IV;
- (h) the material contracts referred to in the subsection headed “Summary of material contracts” in Appendix IV;
- (i) the written consents referred to in the paragraph headed “Consents of experts” in Appendix IV; and
- (j) a statement as to the name, description and address of the Vendor.