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.

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.

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.

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.

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.

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.

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.