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	**Year ended 31st December, 2000**	**Nine months ended 30th September, 2001**
	HK$'000	*HK$'000*	*HK$'000*
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 *(Note 1)*	–	(58,401)	(54)
Broadband procurement expenses *(Note 2)*	–	–	(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	(132)	(90,906)	(46,635)
Loss per share (HK dollars) – basic *(Note 3)*	(0.83)	(34.92)	(11.43)
Loss per share (HK cents) – proforma diluted *(Note 4)*	(0.03)	(18.88)	(9.68)

Notes:

1. 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.

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.

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	Year ended 31st December, 2000	Nine months ended 30th September, 2001
	HK$'000	*HK$'000*	*HK$'000*
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.

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.

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.

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 Webuilder, 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.

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 Webuilder 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.

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.

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.

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.

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:

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

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).