
SUMMARY

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

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

OVERVIEW

The Group is principally engaged in the provision of enterprise solutions with a focus on online payment and logistics. The Group's enterprise solutions are principally provided to enterprises in the PRC to enable them to conduct online payment and logistics processes. The Group had registered the software copyright of its proprietary software systems for Internet payment service with the relevant PRC authority in August 2001. The Directors believe that its enterprise solutions with a focus on online payment and logistics can effectively assist enterprises in tackling the issues arising from payment and logistics requirements for their e-commerce operations and therefore could form a critical part of their e-commerce strategy.

Combining its technical and application expertise together with the software components developed on its own and other third parties' products, the Group provides enterprise solutions with a focus on online payment and logistics. The third parties' products used in providing the Group's enterprise solutions comprise mainly software packages. The Group's services in this regard include consulting, system design, system integration, implementation and maintenance. In April 2001, the Group entered into agreements with two software developers, namely SLI and EXE, to act as the exclusive value-added reseller of the logistics software in the Greater China Region of SLI and as a non-exclusive value-added reseller in the PRC (and to the clients worldwide to whom iLogistics China provides services) of EXE respectively. Being a value-added reseller, the Group uses the software packages of SLI or EXE as components to build logistics solutions and provide the solution, together with value-added services such as system design, implementation and maintenance, to its clients.

The Directors believe that the Internet as an interface between buyers, sellers and various service providers has changed the competitive landscape of the commercial world. Whilst the Internet has, to a large extent, resolved the problem of information flow, the task of facilitating efficient fund flow and merchandise flow remains an obstacle to the development of e-commerce. To solve the fund flow problem, the role of traditional financial institutions will remain important. At the same time, the Directors foresee a high demand for technical support to handle the business volume generated by e-commerce operations. The Directors believe that payment and logistics solution providers with the necessary technical expertise would be able to capitalise on the opportunity by providing online payment and logistics related services.

The Group has built a professional R&D team with expertise and experience in e-commerce related areas. Most of the R&D staff are university graduates and have years of experience relating to e-commerce solutions. In addition, the Group utilises external resources to efficiently enhance its R&D capabilities. The Group has engaged Shanghai Jiao Tong University in the PRC, Professor Cheng Yurong of Tsinghua University in the PRC and Mr. Li Ye, an e-commerce consultant, to conduct research on the regulatory, market and technological environment of online payment and logistics business in the PRC. Each of the engagement with Shanghai Jiao Tong University, Professor Cheng Yurong and Mr. Li Ye has a term of one year up to 24th March, 2002, 31st October, 2002 and 22nd March, 2002 respectively.

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MISSION

The mission of the Company is *“to provide online payment and logistics enterprise solutions to enable clients to increase operating efficiency and to extend coverage of services via the Internet”*.

MARKET POTENTIAL FOR THE GROUP’S BUSINESS

The Directors believe that e-commerce, particularly in the case of the PRC, is still in its infancy and both the volume and form of the business of e-commerce are still emerging. As technology and applications for e-commerce become increasingly available at a reasonable cost and as the Internet user population grows, the volume of both traditional and new forms of business conducted online will multiply in the future. The Directors believe that the probable consequence of the flourishing e-commerce market will be an increase in demand for efficient and reliable online payment and logistics solutions and services. The e-commerce market in the PRC has in fact already entered a phase of significant growth. IDC estimated in October 2001 that B2C transactions in the PRC amounted to approximately US\$522 million for the year 2000. This is forecast to reach approximately US\$16.9 billion in 2005, representing a compound annual growth rate of approximately 100.4%. Furthermore, B2B transactions in the PRC amounted to approximately US\$1.6 billion for the year 2000 and these are expected to reach approximately US\$133 billion in 2005, representing a compound annual growth rate of approximately 142.1%.

It is the objective of the Group to provide comprehensive e-commerce solutions, which can assist enterprises to tackle the fund flow and merchandise flow issues encountered by an e-commerce operation, by offering online payment and logistics enterprise solutions. The Group has invested in the development of IPRS and IPSVAS (the basic software modules for building the Group’s enterprise online payment solution) and iwareZ (the logistics software package developed by the Group), and has obtained rights to act as value-added resellers of software products developed by overseas software developers, namely SLI and EXE, in the Greater China Region and the PRC (and to the clients worldwide to whom iLogistics China provides services) respectively. On the basis of the above, the Directors are of the view that the Group is well positioned to capitalise on the opportunities arising from the growth of e-commerce in the PRC.

BUSINESS PLANS

The Group will implement key strategic initiatives in accordance with the schedule set out in the paragraph headed “Implementation plans” in the section headed “Future plans and prospects” of this prospectus. The summary of the key strategic initiatives that the Group plans to implement in the future are as follows.

Provision of online payment and logistics enterprise solutions

The Directors are of the view that the provision of online payment and logistics enterprise solutions is of significant potential in the PRC. The Group will continuously enhance IPRS, IPSVAS and iwareZ. The Group will promote its services of provision of online payment and logistics enterprise solutions together as a total solution for online enterprises to enhance the effectiveness of their e-commerce operations. With the view of providing more timely local support for clients of its enterprise solutions, the Group intends to expand the coverage of its technical teams by establishing branch offices in Shenzhen, Beijing, Wuhan, Chongqing and Xián in the future.

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Investment in R&D

The Group is operating in an industry which requires responsive reaction to technological changes. It is the policy of the Group to continuously invest in R&D activities to enhance its software components for building enterprise solutions and to prepare for the provision of other value-added e-commerce services. As at the Latest Practicable Date, the Group has a R&D team of 13 professionals with expertise and experience in e-commerce related areas. To accelerate the achievement of its R&D endeavours, the Group will continue to expand its R&D team and intends to invite research institutes such as computer departments of universities in the PRC and R&D professionals outside the Group to conduct specific researches relating to online payment and logistics enterprise solutions, as well as e-commerce in general. The specific areas for further research may include:

- Encryption methodology;
- Internet security analysis;
- Firewall and anti-hacking technology;
- Real time monitoring of and alarm system for Internet traffic;
- Applications for e-commerce;
- Localisation of foreign logistics software packages and user interface; and
- Implementation of logistics solutions.

Save as disclosed in the paragraph headed “Research and Development” of the section headed “Business of the Group” in this prospectus, the Group is not currently discussing with any other research institutes or R&D professionals outside the Group in relation to any specific research.

Marketing and brand building

In order to attract more online enterprises to use its services and solutions, the Group will actively promote its enterprise solution services and the overall image of the Group. It is the intention of the Group to establish additional branch offices in the PRC in the near future to conduct more intensive direct marketing to online enterprises and to provide them with more responsive local support. It is intended that five branches will be established in Shenzhen, Beijing, Wuhan, Chongqing and Xián by the end of the first quarter of 2003. Other brand building activities such as press and Internet advertisements, participation in industry exhibitions and seminars in the PRC will also be carried out to enhance the market awareness of the Group’s expertise and services.

Strategic alliances

In order to exploit the full potential of their online sales channel, online enterprises have to invest in their overall IT systems to efficiently support the business generated with their online operations. As an online payment and logistics focused solutions provider, the Group intends to collaborate with other solutions providers and system integrators to provide a total IT solution to online enterprises in the PRC. The Group has signed memoranda of understanding with three software developers and a telecommunication services provider for joint marketing programmes and cross client referral opportunities in the PRC and will continue to seek cooperative opportunities with other market practitioners in the future. The Group is currently negotiating with certain software developers with a view to collaborating on provision of enterprise solutions. As at the Latest Practicable Date, no definite agreement has been reached yet.

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Provision of value added e-commerce services

As an online payment solution provider, the Group will be in an advantageous position to provide other e-commerce enabling services in the future. These other e-commerce enabling services will also be complementary to the Group's online payment enterprise solutions. These services may include the following:

Target Market Segment	Services
<i>Online customers and enterprises</i>	To provide an e-marketplace with its own payment platform.
<i>Online enterprises and banks</i>	To provide market statistics and analysis relating to the online consumer market based on data collected from the operation of the e-marketplace.
<i>Online enterprises, customers and banks</i>	To enable issue of e-cheques and usage of micropayment. To provide digital identification services by issuing e-cert, which will be used to verify the identity of counterparties in transactions. This service will be based on public key infrastructure.

The Group will periodically assess the market demand for the above services and carry out detailed R&D works, marketing plans and investigations on the legal and commercial aspects for providing the above services before attempting any formal launch. Please refer to the section headed "Future plans and prospects" of this prospectus for the plans concerning the launch of these services.

STRENGTHS

The Directors are confident on the future growth of the Group's business due to the following principal factors:

Established operations in the PRC

In light of the surging Internet user population, the Directors are of the view that the PRC is a prime market for online payment and logistics solutions as critical components for an e-commerce operation. The Group commenced its provision of online payment and logistics solutions in the PRC in early 2001. The Directors believe that the Group has positioned itself as a mission critical application provider for e-commerce operations in the PRC. The Directors believe that the Group is ready to capture the opportunities arising from the large commercial market and the general acceptance towards online transactions in the PRC.

Revenue model

The Directors believe that the revenue model is another important factor to the sustainable growth of the Group. Apart from project fees for the provision of enterprise solutions, the Group has recurring revenue stream mainly from: (1) the provision of system maintenance services to clients using its logistics enterprise solutions; and (2) the provision of ongoing technical support services to clients using its online payment enterprise solutions.

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The Directors consider the advantage of this revenue model to be the recurring nature of its revenue base that supports the Group's business viability. The system maintenance fees for clients of logistics enterprise solutions are based on a percentage of the initial project fee and are payable annually. The fees for ongoing technical support services to its clients using its online payment enterprise solutions are typically calculated based on the usage of the related system and are determined with reference to the nature and volume of the online operation of the client. These recurring income are expected to form another source of recurring income for the Group in the future as more installations of enterprise solutions are completed by the Group.

Relationship with business partners

Although the Group does not enter into contracts with banks for the operation of the online payment system of its clients, the Group has developed working relationships with these banks through the implementation and the provision of technical support to its clients using its online payment enterprise solutions. The Directors consider that, because of its relationship with the banks, the Group is in a position to assist its prospective clients to negotiate with the banks to establish a direct interface between prospective client and the banks concerned.

As for the logistics enterprise solutions business, the Group has formed alliances with two overseas software developers, namely SLI and EXE, and has obtained the rights to act as the value-added reseller of their software packages in the Greater China Region and the PRC (and to the clients worldwide to whom iLogistics China provides services) respectively. Such rights granted by SLI are exclusive and those by EXE are non-exclusive. In addition, the Group has formed alliances with three software developers and a telecommunication services provider in the PRC to take advantage of joint marketing and cross referral opportunities. The Directors believe that the Group's relationships with these market practitioners could enable the Group to expand its client base efficiently.

Dedicated management

The Group is operated by a dedicated management team which is committed to a focused business strategy based on its target clients' needs, profitability and scalability from the outset. They also have in-depth knowledge of the PRC market and the technical expertise in e-commerce.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Directors believe that the listing of the Shares on GEM will enhance the Group's profile and the Placing will expand the Group's capital base for future growth and development. The net proceeds of the Placing, after deducting related expenses (assuming the Over-allotment Option is not exercised) are estimated to be approximately HK\$23.8 million based on the mid-point of the stated price range of HK\$0.21 per Share. The Directors presently intend to use such net proceeds as follows:–

- As to approximately HK\$20 million for the repayment of a director's loan advanced by Mr. Y. S. Lau for paying up the remaining registered capital of iPayment China, a 60% owned subsidiary of the Company. The registered capital of iPayment China was required to be fully paid up before the listing of the Shares on GEM such that iPayment China can be treated as a member of the Group. Among the HK\$20 million injected into iPayment China, approximately HK\$9.5 million will be used by iPayment China for R&D of online payment related technologies and applications, approximately HK\$4 million will be used for establishing new branch offices of iPayment China in

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Shenzhen, Beijing, Wuhan, Chongqing and Xián, approximately HK\$4.5 million will be used for marketing and brand building activities, and approximately HK\$2 million will be used as working capital of iPayment China;

- As to approximately HK\$0.6 million for R&D of logistics and other e-commerce related technologies and applications;
- As to approximately HK\$1.1 million for marketing and brand building activities of the Group; and
- As to the remaining balance of approximately HK\$2.1 million for general working capital of the Group.

As to the utilisation of working capital of iPayment China of approximately HK\$2 million, it is expected that approximately HK\$1 million, approximately HK\$0.3 million and approximately HK\$0.7 million will be utilised in payment for payroll, operating lease charges and general and administration expenses respectively. As to the utilisation of working capital for other members of the Group of approximately HK\$2.1 million, it is expected that approximately HK\$1.1 million, approximately HK\$0.7 million and approximately HK\$0.3 million will be utilised in payment for payroll, operating lease charges and general and administration expenses respectively.

Based on the expected cost for implementing the Business Plan as set out in the section headed “Future plan and prospects”, the amount of cash on hand of the Group as at the Latest Practicable Date and the net proceeds from the Placing, the Directors consider that the Group will have sufficient funding for the implementation of the Business Plan.

To the extent that the net proceeds of the Placing are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short term deposits with financial institutions in Hong Kong.

If the Issue Price is set below HK\$0.21, the net proceeds will accordingly be reduced and the amount to be used as working capital will accordingly be reduced. If the Issue Price is set above HK\$0.21, the net proceeds will increase accordingly and the additional amount will be applied proportionately to the above-mentioned areas. The Directors believe that such alteration will not have any material adverse impact on the Business Plan as described in this prospectus.

Should the Over-allotment Option be exercised in full, the Company will receive additional net proceeds of approximately HK\$4.6 million assuming the Issue Price is equal to the mid-point of the stated price range of HK\$0.21 per Share. The Directors will allocate this additional amount to the aforesaid areas for the application of net proceeds in the same proportion as set out above (except for the repayment of loan to a director).

TRADING RECORDS

The following is a summary of the combined results and the pro forma combined results of the Group for the two years ended 31st March, 2001, which are extracted from the Accountants’ Report set out in Appendix I to this prospectus and the additional financial information on the Group set out in Appendix II to this prospectus respectively. The combined results are prepared on the basis of presentation set out in note 1 of the Accountants’ Report. The pro forma combined results are prepared on the basis of presentation set out in note 1 of Appendix II to this prospectus.

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Combined results

	Year ended 31st March, 2000 <i>HK\$'000</i>	Year ended 31st March, 2001 <i>HK\$'000</i>
Turnover (<i>Note 1</i>)		
Enterprise solutions	521	120
Trading of computer products (<i>Note 2</i>)	–	1,191
	521	1,311
Other revenue	5	200
	526	1,511
Loss from operations	(1,926)	(2,523)
Profits on Reorganisation	–	497
Profit on disposal of a subsidiary	1,903	–
	(23)	(2,026)
Operating loss	(23)	(2,026)
Share of results of a former jointly controlled entity (<i>Note 3</i>)	(–)	(369)
	(23)	(2,395)
Loss from ordinary activities before taxation	(23)	(2,395)
Taxation	–	–
	(23)	(2,395)
Loss for the year	(23)	(2,395)
Minority interests	203	117
	180	(2,278)
Profit/(loss) attributable to shareholders	180	(2,278)
Earnings/(loss) per Share (cents)		
– Basic (<i>Note 4</i>)	0.04	(0.51)
– Diluted (<i>Note 5</i>)	0.037	N/A

Notes:

1. Turnover represents revenue recognised from the provision of enterprise solutions services and sale of computer products, net of value-added tax and business tax.
2. The trading of computer products has been discontinued during the year ended 31st March, 2001.
3. The former jointly controlled entity was Synenet Limited.
4. The calculation of the basic earnings/(loss) per Share for each of the two years ended 31st March, 2001 is presented here for information purposes only and is based on the profit or loss attributable to shareholders during the respective periods and the assumption that 450,000,000 Shares had been in issue throughout the periods under review.
5. Diluted earnings per Share for the year ended 31st March, 2000 is presented here for information purposes only and is based on the profit attributable to shareholders during the year and the assumption that 481,840,000 Shares had been in issue during the year. The number of Shares used for the calculation comprised 450,000,000 Shares referred to in note 4 above and 31,840,000 Shares to be issued upon exercise in full of the outstanding options granted under the Pre-IPO Share Option Schemes. No diluted loss per Share for the year ended 31st March, 2001 has been presented as the potential Shares to be issued upon exercise of the outstanding options under the Pre-IPO Share Option Schemes are anti-dilutive.

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Pro forma combined results

	Year ended 31st March, 2000 HK\$'000	Year ended 31st March, 2001 HK\$'000
Turnover (<i>Note 1</i>)		
Enterprise solutions	–	120
Other revenue	5	190
	<u>5</u>	<u>310</u>
Loss from ordinary activities before taxation	(1,344)	(2,329)
Taxation	–	–
Loss for the year	(1,344)	(2,329)
Minority interests	–	50
Loss attributable to shareholders	<u>(1,344)</u>	<u>(2,279)</u>
Loss per Share – Basic (cents) (<i>Note 2</i>)	<u>(0.30)</u>	<u>(0.51)</u>

Notes:

1. Turnover represents revenue recognised from the provision of enterprise solutions services, net of business tax.
2. The calculation of the basic loss per Share for each of the two years ended 31st March, 2001 is presented here for information purposes only and is based on the loss attributable to shareholders during the respective periods and the assumption that 450,000,000 Shares had been in issue throughout the periods under review.
3. No diluted loss per Share for each of the two years ended 31st March, 2001 has been presented as the potential Shares to be issued upon exercise of the outstanding options under the Pre-IPO Share Option Schemes are anti-dilutive.

FINANCIAL INFORMATION

According to Rule 11.11 of the GEM Listing Rules, the latest financial period reported on by the reporting accountants must not have ended more than 6 months before the date of the prospectus. The latest financial period reported on the Accountants' Report set out in Appendix I to this prospectus is for the year ended 31st March, 2001, which is more than six months from the date of this prospectus. The Company has applied for and has been granted a waiver from compliance with Rule 11.11 of the GEM Listing Rules by the Stock Exchange. The Directors have confirmed that they have performed sufficient due diligence on the Group to ensure that, save as disclosed herein, up to the date of this prospectus, there has been no material adverse change in the financial position or prospects of the Group since 31st March, 2001 and there is no event which would materially affect the information shown in the Accountants' Report of the Group.

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OFFER STATISTICS

Market capitalisation (*Note 1*) approximately HK\$126 million

Adjusted net tangible asset value per Share (*Note 2*) 5.33 cents

Notes:

1. The calculation of market capitalisation of the Shares is based on an Issue Price of HK\$0.21 per Share (being the mid-point of the stated price range of the Issue 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 be allotted and issued pursuant to the exercise of the Over-allotment Option or of any options granted or which may be granted under the Pre-IPO Share Option Schemes or the Share Option Scheme or of any Shares which may be allotted or issued or repurchased by the Company pursuant to the mandates referred to in the paragraph headed “Written resolutions of all the shareholders of the Company passed on 12th October, 2001” in Appendix V to this prospectus.
2. The adjusted net tangible asset value per Share has been arrived at after making the adjustments referred to in the paragraph headed “Adjusted net tangible assets” under the section headed “Financial information” in this prospectus and on the basis of an aggregate of 600,000,000 Shares in issue and to be issued as mentioned herein but takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or of any options granted or which may be granted under the Pre-IPO Share Option Schemes or the Share Option Scheme or of any Shares which may be allotted or issued or repurchased by the Company pursuant to the mandates referred to in the paragraph headed “Written resolutions of all the shareholders of the Company passed on 12th October, 2001” in Appendix V to this prospectus.

If the Over-allotment Option is exercised in full or in part, the adjusted net tangible asset value per Share will increase.

INITIAL MANAGEMENT AND OTHER SHAREHOLDERS OF THE COMPANY

Set out below are the respective shareholdings of each of the Shareholders immediately after completion of the Placing and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised) and the restrictions on disposal of Shares by each of them:

Initial Management Shareholders	Date of entry or acquisition <i>(Note 7)</i>	Approximate total investment cost <i>(HK\$)</i>	Number of Shares or attributable number of Shares interested in immediately after completion of the Placing and the Capitalisation Issue	Approximate average cost per Share <i>(HK\$)</i>	Approximate percentage of shareholding or attributable shareholding after completion of the Placing and the Capitalisation Issue <i>(%)</i> <i>(Note 10)</i>	Moratorium period
World One <i>(Note 1)</i>	Founder	10,007,110	418,470,000	0.024	69.745%	– 6 months <i>(Note 8)</i> – together with other Initial Management Shareholders not less than 35% of the issued Shares should be held during the second six month period from the Listing Date <i>(Note 8)</i>

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Initial Management Shareholders	Date of entry or acquisition <i>(Note 7)</i>	Approximate total investment cost <i>(HK\$)</i>	Number of Shares or attributable number of Shares interested in immediately after completion of the Placing and the Capitalisation Issue	Approximate average cost per Share <i>(HK\$)</i>	Approximate percentage of shareholding or attributable shareholding after completion of the Placing and the Capitalisation Issue <i>(%)</i> <i>(Note 10)</i>	Moratorium period
Mr. S.S. Lau <i>(Note 2)</i>	22nd January, 1997	450	10,800,000	0.00004	1.8%	– 6 months <i>(Note 8)</i> – together with other Initial Management Shareholders not less than 35% of the issued Shares should be held during the second six month period from the Listing Date <i>(Note 8)</i>
Mr. Man <i>(Note 2)</i>	1st December, 1998	300	7,200,000	0.00004	1.2%	– 6 months <i>(Note 8)</i> – together with other Initial Management Shareholders not less than 35% of the issued Shares should be held during the second six month period from the Listing Date <i>(Note 8)</i>
Mrs. Lau <i>(Note 3)</i>	20th November, 1999	200	4,800,000	0.00004	0.8%	– 6 months <i>(Note 8)</i> – together with other Initial Management Shareholders not less than 35% of the issued Shares should be held during the second six month period from the Listing Date <i>(Note 8)</i>
Mr. Lim <i>(Note 4)</i>	11th June, 2001	788,000	5,360,000	0.147	0.893%	– 6 months <i>(Note 8)</i> – together with other Initial Management Shareholders not less than 35% of the issued Shares should be held during the second six month period from the Listing Date <i>(Note 8)</i>

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Other Shareholders subject to moratorium period restriction	Date of entry or acquisition (Note 7)	Approximate total investment cost (HK\$)	Number of Shares or attributable number of Shares interested in immediately after completion of the Placing and the Capitalisation Issue	Approximate average cost per Share (HK\$)	Approximate percentage of shareholding or attributable shareholding after completion of the Placing and the Capitalisation Issue (%) (Note 10)	Moratorium period
Mr. Kim Hyung Tae (Note 5)	11th June, 2001	378,000	2,250,000	0.168	0.375%	– 12 months (Note 9)
Mr. Lee Jeong Hoon (Note 6)	11th June, 2001	188,000	1,120,000	0.168	0.187%	– 12 months (Note 9)
Public Shareholders pursuant to the Placing			150,000,000	Issue Price	25%	N/A

Notes:

- (1) World One is wholly and beneficially owned by Mr. Y. S. Lau. As Mr. Y. S. Lau is entitled to exercise or control the exercise of one-third or more of the voting rights of World One, he is deemed by virtue of the SDI Ordinance to be interested in the same 418,470,000 Shares held by World One. Mr. Y.S. Lau is an executive Director and an Initial Management Shareholder.

Mr. Y.S. Lau, the ultimate beneficial owner of World One, has given an undertaking to the Company, the Underwriter and the Stock Exchange that he will not dispose of (or enter into any arrangement to dispose of) nor permit the registered holder thereof to dispose of (or enter into any agreement to dispose of) any of his direct or indirect interest in World One for a period of 12 months from the Listing Date.
- (2) Mr. S.S. Lau and Mr. Man are both executive Directors. Mr. S. S. Lau is the son of Mr. Y. S. Lau.
- (3) Mrs. Lau is the wife of Mr. Y.S. Lau.
- (4) Mr. Lim is the chief executive officer of iLogistics Shanghai.
- (5) Mr. Kim Hyung Tae is part of the senior management of SLI, a shareholder holding 40% interest in SLI, which owns 45% of the issued share capital of iLogistics China (a subsidiary of the Company) and a director of iLogistics China. Mr. Kim does not participate in the daily operation of iLogistics China. Mr. Kim acts as a director of iLogistics China in his capacity as the representative of SLI but not as an employee of the Group. Mr. Kim Hyung Tae is otherwise not related to the Company or the directors, the substantial shareholders and the management shareholders of the Company and its subsidiaries or their respective associates.
- (6) Mr. Lee Jeong Hoon is a director of Synenet Limited and a director of Dream of Telecommunication Co., Ltd., a limited liability company incorporated under the laws of South Korea, which owns 50% of Synenet Limited, in which UCW previously owned a 50% interest prior to the Reorganisation. Pursuant to the Reorganisation, UCW transferred its 50% interest in Synenet Limited to World Success Holdings Limited, an investment holding company controlled by Mr. Y.S. Lau. Synenet Limited is principally engaged in the R&D and sale of broadband networking and set-top-box applications of home information products. During the period when Synenet Limited was a subsidiary of UCW, Mr. Lee Jeong Hoon was not a director of any member of the Group except for Synenet Limited. Further details of the Reorganisation are set out in the paragraph headed “Corporate reorganisation” in Appendix V to this prospectus. Save as disclosed herein, Mr. Lee Jeong Hoon is otherwise not related to the Company or the directors, the substantial shareholders and the management shareholders of the Company and its subsidiaries or their respective associates.
- (7) This represents the actual date on which each party became an investor, whether direct or indirect, of any member of the Group.

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- (8) Each of the Initial Management Shareholders has undertaken with the Company, the Underwriter, and the Stock Exchange that during the first 6-month period after the Listing Date (“First Relevant Lock-up Period”) it/he/she will (i) place in escrow, with an escrow agent acceptable to the Stock Exchange, its/his/her Relevant Securities in the Company on terms acceptable to the Stock Exchange; and (ii) save as circumstances provided by Rule 13.18 of the GEM Listing Rules, shall not dispose of (or enter into any agreement to dispose of) nor permit the registered holder to dispose of (or enter into any agreement to dispose of) any of its/his/her direct or indirect interests in the Relevant Securities.

Each of the Initial Management Shareholders has also undertaken to the Company, the Underwriter and the Stock Exchange that during the second 6-month period after the Listing Date, each of them will not, save as provided in the GEM Listing Rules, dispose of (or enter into any agreement to dispose of) nor permit the registered holder to dispose of (or enter into any agreement to dispose of) any of its/his/her respective Relevant Securities such that they would in aggregate cease to control at least 35% of the voting power at general meetings of the Company.

- (9) Each of Mr. Kim Hyung Tae and Mr. Lee Jeong Hoon has voluntarily undertaken to the Company and the Underwriter not to dispose of (or enter into any agreement to dispose of) nor permit the registered holder to dispose of (or enter into any agreement to dispose of) any of his direct or indirect interests in the relevant shares in which he is interested during the 12-month period immediately after the Listing Date.
- (10) Assuming that the Over-allotment Option and options granted under the Pre-IPO Share Option Schemes are not exercised.

SHARE OPTIONS

Share option scheme

The principal terms of the Share Option Scheme conditionally approved and adopted by the shareholders of the Company on 12th October, 2001 are set out in Appendix V of this prospectus under the section headed “Share Option Scheme”.

Pre-IPO share option schemes

The principal terms of the Pre-IPO Share Option Scheme A and the Pre-IPO Share Option Scheme B are set out in Appendix V of this prospectus under the section headed “Pre-IPO Share Option Schemes”. The pre-IPO share option scheme A and the pre-IPO share option scheme B were both conditionally approved and adopted by the shareholders of the Company on 12th October, 2001 in respect of share options for an aggregate of 15,600,000 Shares and 16,240,000 Shares respectively, representing approximately 2.6% and approximately 2.7% of the issued share capital of the Company respectively, granted to 2 executive Directors, 2 employees and 2 consultants.

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Upon (and assuming) the exercise in full of the outstanding options granted under the Pre-IPO Share Option Schemes, a total of 31,840,000 new Shares will fall to be issued (the “Option Shares”). Based on a total of 600,000,000 Shares in issue and assuming completion of the Placing and Capitalisation Issue (but assuming the Over-allotment Option is not exercised) the shareholding structure of the Company prior to and following the issue of the Option Shares would be as follows:

Shareholder	Before issue of the Option Shares		After issue of the Option Shares	
	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding
World One	418,470,000	69.745%	418,470,000	66.23%
Mr. S. S. Lau	10,800,000	1.8%	22,840,000	3.61%
Mr. Man	7,200,000	1.2%	9,000,000	1.42%
Mrs. Lau	4,800,000	0.8%	4,800,000	0.76%
Mr. Lim	5,360,000	0.893%	5,360,000	0.85%
Mr. Kim Hyung Tae	2,250,000	0.375%	2,250,000	0.36%
Mr. Lee Jeong Hoon	1,120,000	0.187%	1,120,000	0.18%
Mr. Liu Yun	0	0%	13,200,000	2.09%
Mr. Au Wai Keung	0	0%	3,000,000	0.47%
Mr. Cheng Yurong	0	0%	1,200,000	0.19%
Mr. Li Ye	0	0%	600,000	0.10%
Public Shareholders pursuant to the Placing	150,000,000	25%	150,000,000	23.74%
	<u>600,000,000</u>	<u>100%</u>	<u>631,840,000</u>	<u>100%</u>

RISK FACTORS

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

The Directors consider that the operation of the Group is subject to a number of risk factors which can be categorised into (i) risks relating to the Group; (ii) risks relating to the business; (iii) risks relating to Hong Kong and the PRC; (iv) risks relating to the Shares; and (v) risk relating to the Placing, which are summarised as follows:

Risks relating to the Group

- History of the Group’s solutions and services in the PRC is limited;
- Joint venture risks;
- The Group may not obtain all the necessary permits and business licenses;
- The results of the Group depends on the development of e-commerce in the PRC;
- The Business Plan may not be realised;
- Assumptions may not be borne out by subsequent events;
- The establishment of the Group’s reputation and brand name may not be as successful as planned;

SUMMARY

- Profits available for distribution of PRC subsidiaries are determined in accordance with generally accepted accounting principles in the PRC;
- Clients during the track record period may not use the Group's solutions and services in the future;
- Significant part of the Group's income is generated from fees on a project basis;
- The Group's limited resources may cause delays in implementing its expansion and growth plans;
- The Group relies on key executives and personnel;
- The Group may be unable to protect its intellectual property rights;
- The Group has a history of financial losses and there is a possibility of future financial losses;
- The Group's demand for technical personnel may not be satisfied; and
- The Group may not be able to find office premises at a similar rental if required to move out of its existing premises in the PRC.

Risks relating to the business

- Rapid changes in technology;
- Limited insurance; and
- Competition.

Risks relating to Hong Kong and the PRC

- The legal framework with respect to the Internet in the PRC is developing;
- The Group is exposed to political risk in Hong Kong;
- The Group is exposed to economic risk of the PRC;
- Risks relating to threat of terrorist activities and state of war;
- Competition resulting from the admission of the PRC into the membership of the WTO; and
- Changes in currency exchange rates could increase the Group's costs relative to its revenue.

Risks relating to the Shares

- Shareholders' interests in the Company may be diluted in the future if the Company needs to raise additional funds; and
- The Group cannot guarantee the liquidity of the Shares.

Risk relating to the Placing

- Termination of the Underwriting Agreement.

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