Potential investors should carefully consider all the information set out in this prospectus and in particular should evaluate the following risks before deciding to invest in the Company.

RISKS RELATING TO THE GROUP

History of the Group's solutions and services in the PRC is limited

Since the Group only introduced the services relating to the provision of online payment and logistics enterprise solutions in the PRC market in early 2001, the Group's services relating to the provision of online payment and logistics enterprise solutions in the PRC have a limited history. Its business is in an early stage of implementation, and the revenue, potential income and cash flow from it are still unproven. The Group's historical financial data may not provide a meaningful basis for investors to evaluate the Group and its prospects. The success of the Group's strategies will also depend on many factors outside its control, including the market acceptance towards its online payment and logistics enterprise solutions. Accordingly, evaluation of the Group's business and its prospects is difficult, and there can be no assurance that the Group will succeed.

Joint venture risks

The Group has interests in iPayment China, a Sino-foreign equity joint venture enterprise between the Group and Shanghai Gao Yuan Group. iPayment China is engaged in the provision of online payment enterprise solutions and related services. The operations carried out under such joint venture may involve business risks, including the possibility that Shanghai Gao Yuan Group may have economic or business objectives that are inconsistent with those of the Group; or be unable or unwilling to fulfil its obligations under the relevant joint venture contract. There is no assurance that possible disagreements or disputes between the Group and Shanghai Gao Yuan Group would not occur. Failure to retain the joint venture may adversely affect the Group's business plans and strategies as well as its operating results, prospects and financial position.

The Group may not obtain all the necessary permits and business licenses

In order to carry out its business as is presently conducted, the Group has obtained certain permits and business licenses from various governmental authorities in the PRC. The Directors believe that the Group has obtained all the permits and licenses currently necessary for its operation. In future, the Group would be required to apply for renewal of all such permits and business licenses including Certificate of Approval for Establishment of Enterprises with Investment from Taiwan, Hong Kong, Macau and Overseas Chinese in the People's Republic of China (中華人民共和國台港澳僑投資企業批准證書), Organization Code Certificate of the People's Republic of China (中華人民共和國組織機構代碼證), Tax Registration Certificate for Foreign Investment Enterprises (外商投資企業稅務登記證), Foreign Exchange Registration Certificate for Foreign Investment Enterprises (外商投資企業外滙登記證), Finance Registration Certificate for Foreign Investment Enterprises (外商投資企業財政登記證) and Business License for Enterprise Legal Person (企業法人營業執照) upon their expiry, if any. The Group will also be subject to re-assessment by the issuing authorities in accordance with the prevailing legal and regulatory requirements for the purposes of such renewal. It should be noted that the requirements for renewing these permits and business licenses may change from time to time. This may give rise to compliance problems. In addition, it may be costly for the Group to comply with all changes or additions to the requirements relating to the renewal of and application for the relevant permits and business licenses, as it may take substantial time, human resources and other resources to fulfill the relevant requirements. In the event that renewal of, and application for, any of these permits or business licenses is not granted, the relevant sections of the Group's business would have to cease.

The results of the Group depends on the development of e-commerce in the PRC

The Group is principally engaged in the provision of e-commerce related enterprise solutions with a focus on online payment and logistics. Apart from the quality of its solutions and services, the demand for the Group's solutions and services depends on the development of e-commerce in the PRC. Should the Internet fail to be accepted as a medium of conducting payment in the PRC in the future or if the volume of payment effected online does not grow as expected, the future development of the Group may be substantially constrained. In such event, the profitability of the Group may be negatively impacted.

The Business Plan may not be realised

The Business Plan, which is summarised in the paragraph headed "Statement of business objectives" in the section of this prospectus headed "Future plans and prospects", is based on assumptions about future events such as the market conditions and the market acceptance of its services. These are, by their nature, uncertain and there is no assurance that the plans of the Group will materialise as intended. In addition, the Group's business strategy is unproven and there is no certainty that it will be successful, or that the Group will be able to compete successfully and achieve market acceptance.

Assumptions may not be borne out by subsequent events

The Group relies on market information and assumptions to develop its business strategies. It is possible that these assumptions may prove to have been erroneous. Further, any expectations about the Group's future performance may not be fulfilled as the Group's solutions and services are not yet widely used in the PRC.

The establishment of the Group's reputation and brand name may not be as successful as planned

Since its establishment, the Group has allocated resources to establish its reputation and brand name. The Directors believe this to be critical in attracting potential clients, expanding the Group's client base and increasing the Group's revenue. However, the timing and extent of the establishment of the Group's reputation and its brand name may not succeed in reaching its target clients as planned.

Moreover, the promotion and enhancement of the Group's reputation and brand name will, among other factors, depend on the quality of the services offered. If clients do not perceive the Group's services to be of high quality, its reputation and brand name may be affected both materially and adversely.

Profits available for distribution of PRC subsidiaries are determined in accordance with generally accepted accounting principles in the PRC

Profits of the Group are derived principally from the businesses conducted by its subsidiaries established in the PRC, namely iPayment China and iLogistics Shanghai. The profits available for distribution by the Company to its shareholders are therefore, to a certain extent, dependent on profits available for distribution by these PRC subsidiaries to the Company. Profits available for distribution by companies established in the PRC are determined in accordance with the generally accepted accounting principles in the PRC, and such profits may differ from those, which would be reached using generally accepted accounting principles in Hong Kong. Such difference may arise in various forms, including the use of different bases of recognition of revenue and expenses. In addition, under the relevant PRC financial regulations, profits available for distribution are determined after transfers to statutory reserve funds required under PRC law.

Clients during the track record period may not use the Group's solutions and services in the future

The five largest clients accounted for approximately 65.8% and 57.1% respectively of the Group's turnover for each of the two years ended 31st March, 2001. The largest clients accounted for approximately 19.6% and 25% respectively of the Group's turnover for each of the two years ended 31st March, 2001. Each of the five largest clients is independent of the Company, the Directors, the Initial Management Shareholders, the substantial shareholders of the Company and its subsidiaries and their respective associates. During the track record period, the clients of the Group comprised mainly clients using the Group's Internet related enterprise solutions in Hong Kong and buyers of computer products. As the Group currently places focus on the provision of online payment and logistics enterprise solutions and related services in the PRC market, the clients of the Group for the two years ended 31st March, 2001 may not be in the Group's markets in the future and the Group may not be able to sell solutions or services to these clients again in the future.

Significant part of the Group's income is generated from fees on a project basis

Significant part of the Group's income is generated from fees on a project basis. The project sum is typically pre-determined and is fixed with reference to the time and material required for implementation, the complexity of the project and the resources available to the Group at the time of implementation. Typically, the Group's projects can be completed in two to seven months. These projects generally vary in size and scope. A client who accounts for a significant portion of the Group's income for a particular period may not generate any income to the Group in subsequent periods. In addition, there is no assurance that the client will retain the Group in the future for maintenance and technical support services or that the client will retain the Group for new projects. Any decrease in the number or size of the Group's projects could adversely affect its profitability and prospects.

The Group's limited resources may cause delays in implementing its expansion and growth plans

Further development of the Group's enterprise solutions is critical to the success of the Business Plan. The implementation of the Business Plan will impose an increasing burden on the Group and may strain its administrative, operational and financial resources. The Group will have to cope with and manage the implementation of its marketing plans, while expanding its internal management, technical, information and accounting systems. The Group's failure to achieve its objectives in a timely and cost-effective manner could increase its operational costs, reduce its actual and potential market share, hinder it from realising its revenue streams and otherwise materially and adversely affect its operating results, prospects and financial condition. Further, as the growth of the business of the Group continues, the Group may need to raise additional capital from the equity or debt market to meet its own financial requirements. There is no assurance that the Group will be able to raise further capital from either the equity market or the debt market, and this in turn may affect the implementation of the Business Plan and the financial position of the Group.

The Group relies on key executives and personnel

The performance of the Group and implementation of the Group's business plans depend, to a significant extent, on the continuing services and performance of the Directors and other senior management staff in the Group, the details of whom are set out in this prospectus in the section headed "Directors, audit committee, senior management, consultants and staff". There is no assurance that the Group will be able to prevent its key personnel from leaving if more attractive terms are offered by others to such key personnel. Failure of the Group to recruit and retain the necessary personnel, or the loss of services of any of its key personnel, may have a material adverse effect on the Group's business operations.

The Group may be unable to protect its intellectual property rights

Save as disclosed in the paragraph headed "Intellectual property rights" in Appendix V of this prospectus, the Group has made no other applications for the protection of its intellectual property rights. If the Group decides to proceed with applications for such protection in the future, there is no assurance that such applications will not be opposed by third parties. It may be possible for a third party to copy or otherwise obtain and use the Group's intellectual property without authorisation, or to develop similar intellectual property independently. In addition, there are countries where effective copyright, patent, trademark and trade secret protection may be unavailable or limited. Policing unauthorised use of its proprietary rights is difficult, especially where multiple jurisdictions are involved, and the Group cannot be sure that the steps taken by the Group will prevent misappropriation or infringement of the Group's intellectual property rights. In addition, litigation may be necessary in the future to enforce the Group's intellectual property rights, protect the Group's trade secrets or determine the validity and scope of the proprietary rights of others, all of which could result in substantial costs and diversion of the Group's resources and its management's time and, as a result, significantly harm the Group's business.

The Group has a history of financial losses and there is a possibility of future financial losses

During the track record period reported on, the Group incurred financial loss. The Group's business of the provision of online payment and logistics enterprise solutions commenced in early 2001 and has had only a limited operating history. It is possible that the Group may incur operating losses in the future and be unable to sustain profitability.

The Group's demand for technical personnel may not be satisfied

The Group has experienced a period of rapid growth in the number of its employees and the volume of its operating business, increasing from 2 technical staff member as at 31st March, 2000 to 10 technical staff members as at 31st March, 2001. This growth has placed, and is expected to continue to place, a significant strain on its operational, administrative and financial resources.

With the rapid development of the Internet, the Directors believe that demand for technical personnel with relevant expertise will continue to escalate. Accordingly, there can be no assurance that the Group will be able to manage its expansion by retaining its existing technical personnel or by recruiting additional employees, as the competition for such personnel is intense. The Group's operating costs may increase due to higher salary expenses resulting from the shortage of technical personnel and the need to outsource a part of its operations.

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

Pursuant to a tenancy agreement ("Tenancy Agreement") dated 28th March, 2001, iPayment China leases certain office premises ("Premises") from Shanghai Gao Yuan Group which has mortgaged the Premises. Since Shanghai Gao Yuan Group has not obtained the prior written consent from the mortgagee in leasing the Premises, Shanghai Gao Yuan Group is in breach of the relevant mortgage contract. By a tenancy agreement dated 30th March, 2001, the Group sub-leased part of the Premises to iLogistics Shanghai ("Sub-Tenancy Agreement"). Details of the Tenancy Agreement and the Sub-Tenancy Agreement are more particularly described in the property valuation report, the text of which is set out in Appendix III of this prospectus.

Accordingly, in the event that iPayment China and iLogistics Shanghai are required to move out of the Premises as a result of the aforesaid breach, the Group may have to seek alternative premises for its operations and bear the costs for the same as well as removal costs. In addition, there is no assurance that the Group will be able to find similar premises on similar terms. In the event that the Group is required to move out as a result of the aforesaid breach, the Group may be required to lease premises at a higher rent or may not be able to find suitable premises within a short time which may adversely affect the Group's operations and profitability.

RISKS RELATING TO THE BUSINESS

Rapid changes in technology

The industry in which the Group is engaged is characterised by rapid technological changes, changes in investor preferences, frequent developments and enhancements of technology and new industry standards. The introduction of new technology and the emergence of new industry standards may render the Group's online payment and logistics enterprise solutions obsolete and uncompetitive. The success of the Group will depend, in part, on the Group's ability to (1) enhance its enterprise solutions to meet the needs of its clients and other users; and (2) respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis.

If the Group is unable to develop and/or enhance its enterprise solutions in a timely manner in response to the changing market conditions or users' requirements, or if the Group's solutions do not achieve widespread market acceptance, the Group's business may be adversely affected. The Group cannot assure investors that it will be successful in effectively using new technologies, adapting the newly developed system to emerging industry standards, developing or introducing and marketing solution enhancements nor that the Group will not experience difficulties that may delay or prevent the successful development or marketing of the solution nor that any such new enhancements will adequately meet the requirements of the marketplace and achieve market acceptance.

Limited insurance

Since the provision of online payment and logistics solutions of the Group has only been developed recently, the insurance market may not keep pace with the speed of change and the Company may be unable to obtain a comprehensive portfolio of insurance products to cover its array of risk exposures at commercially acceptable terms. At present, the Group does not maintain any insurance for business interruption or any third party liability. Therefore, should the Group fail to perform services which results in any of its clients suffering any losses or expenses, the Group may be held liable for such losses or expense which may materially and adversely affect the financial condition and profitability of the Group .

Competition

There is no assurance that there will be no significant increase in the number of competitors in the market who can provide online payment and logistics enterprise solutions similar to those of the Group. The Group may become subject to strong competition which could adversely affect its profitability.

RISKS RELATING TO HONG KONG AND THE PRC

The legal framework with respect to the Internet in the PRC is developing

The legal framework for the Internet in the PRC is still developing and may accordingly give rise to matters which are not foreseeable and which may materially adversely affect the Group's business.

The legal framework governing the Internet industry is not well established and may be subject to changes. As a consequence, it is not possible to predict the effect of further developments of the PRC legal system, particularly with regard to the Internet. This includes but is not limited to the promulgation of new laws or regulations, changes to existing laws or regulations or the interpretation or enforcement thereof, nor to the pre-emption of local regulations by national laws.

Of particular importance is the fact that the interpretation or enforcement of any existing laws or regulations may change. Existing laws with respect to, for example, advertising, the distribution of news and publishing could be applied to the Internet sector, although these are currently not so enforced. The Group operates various websites, including *ipayment.com.cn* and *ilogistics.com.cn.* Both of these can be accessed by users from all countries, including the PRC. If the PRC government decides to enforce the existing laws against the Internet sector or to enact new laws in those areas which deal specifically with the Internet, there is a risk that the Group's business could be adversely affected, particularly as it has a business presence in the PRC.

Although the PRC government has entered into agreements with governments of certain other countries in order to gradually open up the Internet sector to foreign investment upon its accession to the WTO, there is no assurance that this opening up will actually take place. In addition, there is no assurance that issuance of additional detailed regulations by the PRC which are intended to open up the Internet sector to foreign investment will not actually work to restrict or reduce the level of foreign ownership currently permitted in certain types of Internet-related businesses in the PRC.

The Group is exposed to political risk in Hong Kong

The Group's headquarters are currently located in Hong Kong. Hong Kong is a Special Administrative Region of the PRC with its own government and legislature. Hong Kong currently enjoys a high degree of autonomy from the PRC government under the principle of "one country, two systems". There is, however, no assurance that the PRC government will continue its autonomous policy with respect to the administration of Hong Kong.

The Group is exposed to economic risk of the PRC

A substantial portion of the business of the Group is conducted in the PRC. The PRC economy has experienced significant growth in the past decade, but such growth has been uneven across geographic and economic sectors and has recently been slowing down. There can be no assurance that such a slow down will not continue and will not have a negative effect on the Group's business. The current economic situation of the PRC may adversely affect the Group's profitability.

Risks relating to threat of terrorist activities and state of war

Since the occurrence of certain terrorist attacks in the United States on 11th September, 2001, there has been an escalation of a general fear of expansion of terrorist activities around the world and the threat of war involving the United States and Afghanistan, which would have adverse effects on economy of the United States and the world economy. Given the general fear of economic fall-out around the world, the economic outlook of the PRC may become uncertain and there is no assurance that the PRC will not be affected by the worldwide economic downfall, or that recovery would appear in the near future. The Group's profitability may therefore be adversely affected.

Competition resulting from the admission of the PRC into the membership of the WTO

The PRC is currently negotiating its entry to the membership of the WTO. The PRC government has, on various occasions, reduced restrictions on a wide range of businesses. The Directors believe that this process towards the general opening up of the PRC market is likely to continue and may result in further reductions in restrictions on various businesses. Any further reduction in restrictions in Internet related businesses may bring about increased market competition for the Group. This may adversely affect the business of the Group.

Changes in currency exchange rates could increase the Group's costs relative to its revenue

The Group expects to generate revenues in Renminbi and incur expenses and liabilities denominated in Renminbi and Hong Kong Dollars. Renminbi is subject to fluctuation resulting from changes in the PRC governmental policies and international economic and political developments. There is no assurance that Renminbi will not be devalued by the PRC government in the future.

Furthermore, the Renminbi is not freely convertible into foreign currencies nor can it be freely remitted abroad. Under the PRC's Foreign Exchange Control Regulations and the Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, foreign invested enterprises are permitted either 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. The conversion of Renminbi into foreign exchange by foreign invested enterprises for recurring items, including the distribution of dividends to foreign investors, is permissible. The conversion of Renminbi into foreign currencies for capital items, such as direct investment, loans and security investment, is subject, however, to more stringent controls.

Since the introduction of the unified exchange rate system largely based on market supply and demand in 1994, movements in the exchange rate of the Renminbi against other currencies, such as the US dollar, are to an extent subject to market forces. Despite such developments, the Renminbi is still not a freely convertible currency. There is no assurance that the PRC will not develop a shortage in foreign currencies. The Group derives and is expected to continue to derive its income primarily in Renminbi. Any volatility could have a material effect on the profitability of the Group. Should the Group be unable to obtain sufficient foreign currencies at acceptable rates, the Group's ability to pay dividends may be materially affected.

In addition, the Group may conduct business in foreign countries and generate revenues and incur expenses and liabilities in foreign currencies in the future. With respect to US dollar, though the Hong Kong dollar is currently pegged against the US dollar, there is no assurance that the linkage of the Hong Kong dollar to the US dollar will not be altered or unpegged in the future. As a result, the Group will be subject to exchange rate fluctuations with respect to other currencies. The Group has not entered into agreements or purchased instruments to hedge any exchange rate risks although it may do so in the future.

RISKS RELATING TO THE SHARES

Shareholders' interests in the Company may be diluted in the future if the Company needs to raise additional funds

The Company may need to raise additional funds in the future to finance the expansion of, or new developments relating to, its existing operations or new acquisitions. If additional funds are raised through the issue of new equity or equity-linked securities of the Company to existing shareholders other than on a pro rata basis, the percentage ownership of the shareholders of the Company may be reduced. Shareholders may thus experience subsequent dilution, and/or such securities may have rights, preferences and privileges senior to those of the Shares.

The Group cannot guarantee the liquidity of the Shares

Prior to the Placing, there was no public market for the Shares. There can be no assurance that an active trading market for the Shares will develop upon, or if they do develop, will be sustained following, the completion of the Placing. It is possible that the Shares will be subject to changes in price that may be neither directly nor indirectly related to the Company's financial or trading position.

RISKS RELATING TO THE PLACING

Termination of the Underwriting Agreement

Prospective investors of the Placing Shares should note that the Underwriter may terminate the arrangements under the Underwriting Agreement by notice in writing to the Company upon the occurrence of any of the events set forth under "Grounds for termination" in the section headed "Underwriting" in this prospectus at any time prior to 6:00 p.m. (Hong Kong time) on the day immediately preceding the day on which dealings in the Shares on GEM first commence. Such events include, but without limitation to, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, terrorism, strike or lock-out.