

SUMMARY

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

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

INTRODUCTION

The Group was founded in June 1996 by Mr. Kung and Ms. Foo. In anticipation of the impact that e-commerce would have on the manner that business is conducted, the two founders formed the Group with the intention of combining consulting, systems development, systems integration and web design skills to provide e-commerce solutions to businesses in Asia.

The Group's mission is to be the premier e-commerce enabler for businesses in Asia. The Group has sought to achieve this goal by acting as a consultant and outsourcing partner to provide e-commerce solutions to clients.

BUSINESS

The Group principally provides e-commerce business solutions which currently comprise consulting service and service bureau to companies in Asia. The Group also intends to develop a portfolio of ventures by investing in ventures focusing on or using e-commerce which have passed the incubation stage.

e-Commerce consulting

Since its establishment, the Group has been developing Internet-based solutions for clients. The Group has been assisting its clients to define their online strategies, develop e-commerce structures and integrate web applications with clients' other systems. The Group performs consulting projects either on a "time and materials spent" basis or on a fixed fee basis.

Service bureau

The Group builds on its extensive consulting execution experience to offer e-commerce outsourcing services through its service bureau by operating an end-to-end e-commerce infrastructure to provide clients with the technology and business processes required for conducting e-commerce. With the official launch of the service bureau in June 1999, the Group has the capability to host, operate and maintain online retail shopping, auction and business-to-business exchange and procurement sites for its clients.

In service bureau client relationships, the Group's clients are responsible for the site's branding and marketing and sourcing goods and services to sell online, while the Group provides the technology and delivery logistics and payment processes needed for e-commerce operations. Through this division of responsibilities, the Group's service bureau clients can focus their resources on building their business and branding rather than focusing on the technical aspects of e-commerce.

For many service bureau services, the Group charges clients a percentage of the revenue they generate from the e-commerce platforms provided by the Group. As a consequence the interests of the Group and its clients are aligned.

By deriving revenue from the e-commerce activities of numerous clients, the Group can be expected to benefit from the growth in the value of e-commerce and avoid over reliance on an individual business concept.

KEY ACCOMPLISHMENTS

The Group has helped a variety of prominent enterprises making use of the Internet and e-commerce.

| Solution Area | Selected Clients |
|--|---|
| <i>Business-to-Business e-Commerce and Internet-based Process Automation Solutions</i> | <ul style="list-style-type: none"> - iSteelAsia - Chinese Books Cyberstore - Motorola Asia Pacific Limited |
| <i>Business-to-Consumer e-Commerce Solutions</i> | <ul style="list-style-type: none"> - CityLine (Hong Kong) Limited - Wing On Department Stores - iCare.com Limited (a subsidiary of The Hong Kong and China Gas Company Limited) - a major Asian airline |
| <i>Online Auction Solutions</i> | <ul style="list-style-type: none"> - The Community Chest - Wo Kee Hong Limited - Oxfam Hong Kong - iSteelAsia - SmarTone Mobile Communications Limited - a major Asian airline |

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Solution Area

Selected Clients

Online Financial Service Solutions

- JETCO
- Chekiang First Bank
- a key financial services provider in Hong Kong

Online Bill and Statement Presentment Solutions

- SmarTone Mobile Communications Limited
- CLP Power Hong Kong Limited
- an international frequent flier programme associated with a major Asian airline

From incorporation to 31st March, 1997

- *Online shopping system:* the Group developed an online shopping application — the Directors believe that it was one of the earliest online shopping applications developed in the Asia-Pacific region.
- *SSL-based Internet payment:* the Directors believe that the Group was among the first companies in Asia to have the ability to complete SSL payments through the Internet.

1st April, 1997 to 31st March, 1998

- *Online auction system:* the Group launched its online auction system which the Directors believe was one of the few auction platforms available in Asia. As part of the Group's dedication to promoting the general adoption of e-commerce, the system was sponsored by the Group and used by The Community Chest in a charity auction.
- *Online banking system:* the Group developed and launched Hong Kong's first web banking systems.
- *JETCO relationship:* the Group began to work with JETCO, advising JETCO on how Internet and e-commerce could change the payment system in Hong Kong and impact on its business. This relationship has continued to grow throughout the Group's history, such that JETCO, the Company and iMerchants Group Limited signed an agreement on 15th March, 2000 to form JETCO Online to cooperate in providing e-commerce services to businesses in Hong Kong.
- *Expense process management system:* the Group worked with a multinational enterprise to develop an Internet-based expense process automation and management system.

1st April, 1998 to 31st March, 1999

- *SET-based Internet payment:* the Group began to provide SET-based Internet payments applications.
- *Online bill presentment system:* the Group implemented several online bill presentment systems during the year. The Group assisted SmarTone Mobile Communications Limited, a major local mobile phone service provider, to launch an online bill presentment system that included integration with mobile short messaging. The Group also worked with CLP Power Hong Kong Limited, one of the two local electric utility companies, to implement their online bill presentment system.
- *Online ticketing:* the Group worked with CityLine (Hong Kong) Limited, a local Internet ticketing and tele-ticketing company, to launch their Internet site which sells movie tickets and other tickets online.
- *Online department store:* the Group worked with Wing On Department Stores, one of the most established department stores in Hong Kong, to launch their online department store.

1st April, 1999 to 29th February, 2000

- *e-Commerce service bureau:* the Group launched an integrated infrastructure to provide e-commerce operations outsourcing.
- *Online statement presentment:* the Group worked with an international frequent flier programme associated with a major Asian airline to develop and launch their full-service Internet sites, which included developing online statement presentment engine.
- *Business-to-business exchange:* in conjunction with Van Shung Chong Holdings Limited, the Group assisted in the development and launching of the e-commerce site iSteelAsia.com to provide an online trading platform for steel products.
- *JETCO Online:* the Company, JETCO and iMerchants Group Limited agreed to develop JETCO Online — a suite of business-to-business and business-to-consumer e-commerce services, which JETCO is responsible for marketing to its member banks so the member banks can, in turn, offer the suite of services to their customers. The Group will be responsible for providing e-commerce services to and/or operating the infrastructure of the suite for the member banks' customers.
- *Online order tracking service:* the Group became one of the first companies in Asia to provide an online order tracking system through integration with DHL Worldwide Express's delivery tracking system to allow customers who have made purchases on a web-site and have their purchases delivered using DHL to track the delivery status online by going to the web-site from which they made their purchases.

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- *Online securities trading system:* the Group implemented a stock trading system for a licensed bank in Hong Kong.
- *Application development:* Microsoft Hong Kong Limited recognised the Group's status by selecting it as The Most Outstanding Microsoft Application Developer — Ecommerce, in 1999.

KEY STRENGTHS

The Directors believe that the competitive strengths of the Group include the following:

Business partnerships: The Group has established relationships with a number of leading enterprises that enable it to provide an integrated e-commerce service. Technology partners such as Microsoft, IBM, Sun Microsystems and Intel augment the technology the Group has developed. Beyond technology, cooperation with financial institutions enables the Group to offer clients a range of payment options. Linkage to DHL Worldwide Express also enables the Group to offer clients logistics and fulfilment services.

The Group aims to leverage this business network with prominent partners to offer a complete suite of e-commerce services and to take advantage of these partners' strengths to continuously enhance its service offering.

The Group's network of partners supports its marketing efforts also. For example, JETCO Online will provide the Group with the opportunity to enrol JETCO's member banks to market the Group's services to their large base of customers. The Directors expect that the strategic investments by PCCW and Reuters in the Company will provide additional opportunities for the Group to market its services and may lead the way to further opportunities for cooperation.

Early mover with solid execution history: The Group has sought to be a leader in the e-commerce solutions market by being among the first companies in Asia to provide e-commerce solutions and services. For example, the Group designed, developed and implemented one of the first online banking systems in Hong Kong and helped bring one of the first online department stores in Hong Kong to life. It has been offering an online shopping system and services and online payment services since 1996, an online auction since 1997 and SET payment since 1998. In 1999, the Group introduced an online shipment tracking system through integration with DHL Worldwide Express to allow customers who have made purchases on a web-site to track the delivery status of their purchases online by going to the web-site from which they made their purchases. The Directors believe that the Group, having been active in the e-commerce solutions market, has established a strong base of expertise in Internet technologies and in helping clients to understand the requirements for success in the online economy.

Credibility with customers through demonstrated results: The Directors believe that successfully providing professional e-commerce solution services requires a significant degree of trust between the client and the service provider. As a consequence, the Group is to succeed, it must be credible — the clients must believe that the Group has the ability to deliver.

A clear customer proposition to enable rapid entry to market and cost saving: The Group offers companies the ability to move forward with their e-commerce strategies without being slowed by a lack of skilled internal staff. The Directors believe that the Group's range of experience in building different e-commerce sites enables it to efficiently deliver projects within the timelines it sets out. By using the modules of the service bureau, the Group aims to make a client's site operational within a number of weeks and, using the DIY shop, establishing an online storefront within a few hours. The Group aims to give clients clear value by providing them with a solution which is less expensive than they could produce it themselves. The Directors believe that this result can be achieved from the Group's extensive consulting execution experience and the economies of scale achieved by the Group's service bureau by using the Group's technological, and human resources to provide a shared e-commerce infrastructure.

Ability to offer flexible solutions: The Group's e-commerce consulting services specialise in developing solutions that are customised to the needs of individual clients. As such, the Group is not tied to a particular software package or technology platform. The Group aims to make its service bureau a platform, not a product, which is capable of being continuously improved by adding new technologies and services to maintain its competitiveness.

EFFECTIVE SALES AND MARKETING

The Directors believe that the Group's success is in part based on its ability to make potential customers aware of its capabilities and to employ a cost effective sales and marketing strategy to attract and provide service to clients.

STRATEGIC INVESTORS

PCCW

PCCW is a company, the shares of which are listed on the Stock Exchange and is controlled by PCRD, the shares of which are listed on the Stock Exchange of Singapore Limited. The principal activities of PCCW are (i) investment in and development of technology-related businesses and (ii) investment in and development of the Cyberport Project subject to entering into a binding contract with the Government of Hong Kong. PCCW is involved primarily in technology businesses related to the Internet and the delivery of broadband Internet services through an innovative satellite to broadband ground distribution system that includes HFC cable systems, broadband telecom infrastructure and wireless transmission networks. PCCW's aim is to build on its expertise and knowledge of digital technology and new media to become a leader in Internet infrastructure, content and services. PCCW is in the process of launching a highly complementary combination of businesses that together form an interactive, broadband platform for offering and enabling a wide variety of consumer and enterprise services through the Internet and television. On 31st January, 2000, PCCW has, through its indirect wholly-owned subsidiary Network Initiatives Limited, acquired from

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iMerchants Group Limited interest in Team Mate which, as a result of the Reorganisation, became interested in 10% of the Company immediately before completion of the Placing, which represents an 8% interest in the Company's issued share capital as enlarged by the Placing (assuming the Over-allotment Option is not exercised).

It is part of the Group's business development strategy to establish and maintain strategic partnerships with reputable companies with superior industry influence in the Group's business areas. As a step in implementing such strategy, the Group has formed a strategic relationship with PCCW. The Directors believe that the strategic relationship with PCCW will provide synergy to the Group and that PCCW may introduce potential clients and/or cooperation opportunities to the Group.

Reuters

In addition to the strategic relationship with PCCW, iMerchants Group Limited has entered into an agreement on 9th March, 2000 with Reuters pursuant to which Reuters has acquired a 6.25% interest in the Company's issued share capital immediately before completion of the Placing, which represents a 5% interest in the Company as enlarged by the Placing (assuming the Over-allotment Option is not exercised).

Reuters supplies the global financial markets and the news media with a wide range of information and news products including real-time financial data, collective investment data, numerical, textual, historical and graphical databases plus news, graphics, news video, and news pictures. It extensively uses internet technologies for wider distribution of information and news. Reuters designs and installs enterprise-wide information management and risk management systems for the financial markets as well as providing equity and foreign exchange transaction systems.

The strategic alliance with Reuters will provide synergies to the Group on a number of different levels. The Directors expect that this investment will lead to an increased number of opportunities to offer the Group's e-commerce services to the growing portfolio of Internet-related companies in which Reuters has invested. In addition, Reuters Hong Kong Limited is already one of the Group's clients and this investment may benefit the Group in its attempts to offer more services to Reuters to help the company's own activities in the Internet arena. Finally, Reuters' strong position in the provision of content to leading web sites makes the organisation's product offering highly complementary to the Group's e-commerce services as it opens opportunities to offer electronic content and e-commerce together.

STRATEGIC ALLIANCE WITH JETCO

JETCO was founded in April 1982 by Bank of East Asia, Chekiang First Bank, Wing Lung Bank and Shanghai Commercial Bank to research, develop, exploit, install, operate,

service and maintain automated-teller-machine (“ATM”) and other electronic and mechanical aids to the banking industry and generally to promote the use of such equipment. Additional licensed banks in Hong Kong joined JETCO in due course and currently, JETCO now has a network of more than 50 licensed member banks.

The Group began to provide JETCO with e-commerce consultancy services in 1997 with regard to application of Internet and e-commerce technology in the provision of banking services. The e-commerce products launched by JETCO which were developed through the consulting services of the Group include online virtual ATM.

In addition to its provision of e-commerce services to JETCO, the Company entered into an agreement with JETCO and iMerchants Group Limited on 15th March, 2000 to establish JETCO Online. Pursuant to the terms of the agreement, JETCO would, through the JETCO Online web-site and the respective web-sites of the member banks, promote e-commerce consulting and service bureau services of the Group in the name of JETCO Online or in the respective names of the member banks (i) to the member banks of JETCO and (ii) to the customers of the respective member banks through promotion by each member bank. All requests for such services would then be referred by JETCO to the Group and, in return, the Company would pay commissions on a success basis to JETCO.

The Directors believe that, in view of the number of licensed banks participating in JETCO and the substantial customer base of these member banks, the formation of the strategic alliance between the Company and JETCO has materially enhanced the potential customer base of the Group as the Group’s services will be promoted through JETCO Online to JETCO’s member banks and their customers. In addition, the Directors believe that the agreement of JETCO to promote the services of the Group indicates the confidence of JETCO in the creditability and reliability of the Group’s services.

ACQUISITION OF INTEREST IN ISTEELASIA

iSteelAsia, together with its subsidiaries, is principally engaged in the trading of steel products to end users, distributors and stockists in Southern China and Macau, and the operation of an internet web-site, iSteelAsia.com, which is a vertical portal offering a platform for buyers and sellers of steel products to conduct e-commerce.

The Company has entered into a conditional sale and purchase agreement dated 15th March, 2000 with iMerchants Group Limited pursuant to which the Company agreed to acquire from iMerchants Group Limited its entire interest in iSteelAsia. The Directors believe that it is in the commercial interest of the Company to develop a portfolio of investments in ventures focusing on or using e-commerce. The Directors believe that iSteelAsia, as a company using e-commerce to enable the trading of steel, will derive synergies from the Group’s operations.

BUSINESS OBJECTIVES AND FUTURE STRATEGIES OF THE GROUP

Overall objectives

The Group aims to continue pursuing its mission of being the e-commerce business partner of choice for businesses in Asia. To realise this mission and take advantage of the vibrant market opportunity that the Directors believe exists, the Group will endeavour to pursue a range of key strategic initiatives to aggressively expand its presence in Asia, grow its team, enhance its service offering and maintain the foundations required for the business to succeed into the future.

To take advantage of business opportunities in e-commerce, the Group will be exploring opportunities to make equity investments in e-commerce companies. Investments will be limited to those companies focusing on or using e-commerce. Preference will be given to companies for whom the Group's consulting and service bureau services will be of value or where these companies will be able to provide synergies to the Group's consulting and service bureau businesses. At present, other than the iSteelAsia Acquisition, no agreement has been entered into relating to any acquisition of or investment in Internet related business. In case Shares would be used in lieu of cash to finance any such investment or acquisition, the shareholdings of the then existing shareholders, including the initial management shareholders, will be diluted. To reduce the risk, these investments will be made in companies which have well-defined business models and have established some level of operations.

Key Strategies

- Enhance Service Offering
- Enhance Knowledge Creation and Management Processes
- Expand Capacity to Deliver Services
- Pursue Geographic Expansion in Asia
- Invest in Business Development and Marketing
- Strengthen Corporate Infrastructure
- Explore Synergistic Acquisition and Investment Opportunities

Enhance Service Offering

For both the consulting and the service bureau business, the Group plans to add new modules to its existing business bureau to cater for the continuous development in e-commerce and at the same time to develop industry-focused solutions. These will be sets of technologies and business processes that, together, have direct relevance to a

particular vertical industry. In supporting these solutions, the Company also plans to hire additional professionals with experience in its target industries. An example of these solutions is the Group's intention to add the hosting, maintenance and enhancement of online banking and stock trading applications to the service bureau's offering.

The Group believes that e-commerce should involve the sale of products or services through all electronic channels, and is not limited to the Internet. The Group is pursuing the development of a WAP Auction that enables auction services to be provided over mobile telephones. The Group aims to position itself to ensure that it is able to offer its clients the ability to sell through mobile phones and other significant channels for e-commerce.

Enhance Knowledge Creation and Management Processes

In addition to human resources, much of the Group's ability to execute relies on its ability to use its expertise and to generate new knowledge. In order to increase the rate of acquisition, and the capability, of the Group to develop new knowledge, it will be building a research and development team based in the PRC where the operating cost is expected to be lower than Hong Kong and which also is a significant potential market. The Group plans to implement a knowledge management system and process to manage and capture the knowledge that the organisation has gained and that it will continue to develop while executing new projects.

Expand Capability to Deliver Services

The Group is currently undertaking an aggressive recruiting drive in order to enhance its capacity to provide services. A number of management and senior consulting resources are being sought by the Group in order to develop new clients and markets and provide additional expertise and leadership for the Group's consulting and service bureau staff. In addition, the Group will seek to recruit additional staff for its consulting, technology and service bureau operations to meet its expectations of future growth.

Pursue Geographic Expansion in Asia

To broaden the base of potential clients and to reduce the risk of the Group's business being concentrated in a particular country, the Group will be undertaking a geographic expansion effort. The Company aims to penetrate the overseas markets including the Greater China region, Singapore and Japan.

Invest in Business Development and Marketing

The Group will undertake a number of activities with the objective of increasing the market's awareness of its capabilities to (i) enhance the Group's commanding position in its industry; (ii) support the Group's regional expansion; and (iii) better position the Group to capture market opportunities.

The Group intends to fund a marketing and brand-building campaign. Also, specific activities will be planned by the Group for the launch of services in each new market.

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With the goal of selling additional services, the Group will expand its business development team and to access a broader market, the Group will be identifying additional partners who can act as sales channels. Part of this latter initiative will include implementing and striving to leverage the arrangement with JETCO Online relationship to JETCO's more than fifty member banks and their base of clients. To support the sales channel partnerships that have been developed, the Group also plans to develop a team of staff to leverage and manage the relationships with these partners.

Strengthen Corporate Infrastructure

As the Group develops, it will need to further enhance the foundations of its management and infrastructure processes. To increase the organisation's capacity for growth, additional members will be added to the senior management team. Furthermore, investments will be made in the technology underlying the Group's accounting, finance and human resources processes so that they can support a larger organisation and operate with greater efficiency.

Explore Synergistic Acquisition and Investment Opportunities

The Group will be continuously exploring opportunities to acquire or ally with companies providing synergies. These could include other e-commerce development or design firms, consulting firms and firms possessing specific technology. The Group also intends to develop a portfolio of ventures by investing in ventures focusing on or using e-commerce which, in the opinion of the Directors, have passed the incubation stage. The Directors believe that the Group's investment in a portfolio of e-commerce ventures which satisfy the Group's selection criteria will bring synergy and potential capital gain opportunities to the Group. From the proposed establishment of a business development office in San Francisco, the Group's plans to seek alliances with technology companies in the United States and Europe.

Warning

The implementation of the aforesaid strategies is based on the existing plans and intentions of the Group which are either at a conceptual stage or at a preliminary stage. Furthermore, as such intentions and plans are based on assumptions of future events which by their nature are subject to uncertainty, the Group's actual course of action may vary from the intentions and plans set out above. Although the Directors will endeavour to execute such plans in accordance with the timeframe as set out in the paragraph headed "Business objectives and future strategies of the Group" of this prospectus, there is no assurance that the plans of the Group will materialise, result in the conclusion of any agreement or be executed in accordance with the expected timeframe or that the objectives of the Group will be fully accomplished or accomplished at all.

TRADING RECORD

The following is a summary of the audited combined results of the Group for the two years ended 31st March, 1999 and the ten months ended 31st January, 2000 (the "Relevant Periods"), which have been prepared on the basis that the existing Group structure was in place throughout the Relevant Periods and which, save as the information on loss per Share, have been extracted from the accountants' report set out in appendix I to this prospectus:

| | Year ended 31st March, | | Ten months ended |
|---------------------------------|------------------------|---------------------|-----------------------|
| | 1998 | 1999 | 31st January, 2000 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Turnover | 2,799 | 4,655 | 10,374 |
| Direct costs | <u>(1,678)</u> | <u>(1,288)</u> | <u>(2,626)</u> |
| Gross profit | 1,121 | 3,367 | 7,748 |
| Other revenue | 25 | 20 | 40 |
| Operating expenses | (4,715) | (8,037) | (11,876) |
| Financial expenses | <u>—</u> | <u>(7)</u> | <u>(324)</u> |
| Net loss before taxation | (3,569) | (4,657) | (4,412) |
| Taxation | <u>—</u> | <u>—</u> | <u>—</u> |
| Net loss for the year/period | <u>(3,569)</u> | <u>(4,657)</u> | <u>(4,412)</u> |
| Loss per Share (<i>Note</i>) | <u>(0.38) cents</u> | <u>(0.50) cents</u> | <u>(0.47) cents</u> |

Note: The calculation of loss per Share is based on the combined loss attributable to shareholders for the Relevant Periods and 930,000,000 Shares deemed to be in issue throughout the Relevant Periods on the assumption that the Reorganisation had been effective on 1st April, 1997.

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The following is a breakdown of the Group's turnover for the Relevant Periods:

| | Year ended 31st March, | | Ten months ended |
|----------------|------------------------|--------------|--------------------|
| | 1998 | 1999 | 31st January, 2000 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Turnover: | | | |
| Consulting | 2,786 | 4,576 | 10,267 |
| Service bureau | <u>13</u> | <u>79</u> | <u>107</u> |
| | <u>2,799</u> | <u>4,655</u> | <u>10,374</u> |

USE OF PROCEEDS

The net proceeds from the issue of the New Shares by the Company, after deducting related expenses, are estimated to be about HK\$293 million and assuming an Offer Price of HK\$1.355 per Share (being the mid-point of the stated range of the Offer Price of and between HK\$1.23 and HK\$1.48 per Share), not including any proceeds from the exercise of the Over-allotment Option and assuming the BNP Prime Peregrine Option is not exercised. On the basis that the Over-allotment Option and the BNP Prime Peregrine Option are exercised in full, the net proceeds to the Company will be about HK\$354 million, assuming an Offer Price of HK\$1.355 per Share (being the mid-point of the stated range of the Offer Price of and between HK\$1.23 and HK\$1.48 per Share). The Directors presently intend to use such net proceeds of the issue of the New Shares under the Placing to pursue the strategic initiatives which have been described in the previous section and have estimated the allocation of the funds in the following manner:

- Improvement in Technology: about HK\$80 million will be used to purchase new hardware and software to further improve services offered by the service bureau and to provide systems that will enhance the efficiency of the Group's finance, accounting and human resources and knowledge management processes;
- Advertising and Marketing: about HK\$39 million will be used to invest in business development and marketing activities;
- Expanding Capacity to Deliver Services: about HK\$33 million will be used to support the strategic objective of expanding the Group's capacity for delivering service and enhancing the Group's service offering by hiring more staff. The Group

plans to use a combination of revenue from operations and a portion of the proceeds from the Placing to more aggressively hire staff including both service delivery professionals, research and development staff and senior executives;

- Regional Expansion: about HK\$35 million will be used to open and operate offices in a number of locations in Asia and to invest in business development activities by opening a representative office in San Francisco;
- Acquisitions and Investments: about HK\$61 million will be used in the acquisition of or investment in ventures which have passed their incubation stage; and
- the balance of about HK\$45 million will be used as general working capital.

Pending the use of the net proceeds as described above, any remaining net proceeds may be placed on deposit or otherwise invested as the Directors deem appropriate.

Should the Over-allotment Option and the BNP Prime Peregrine Option be exercised in full, the Company will receive additional net proceeds of about HK\$61 million assuming an Offer Price of HK\$1.355 per Share (being the mid-point of the stated range of the Offer Price of between HK\$1.23 and HK\$1.48 per Share) which the Directors intend to allocate in the following manner:

- Improvement in Technology: about HK\$18 million;
- Advertising and Marketing: about HK\$13 million;
- Expanding Capacity to Deliver Services: about HK\$5 million;
- Regional Expansion: about HK\$11 million;
- Acquisition and Investments: about HK\$9 million; and
- the balance of about HK\$5 million as additional working capital.

PREFERENCE TO EMPLOYEES UNDER THE PLACING

A maximum of 14,530,000 New Shares, being about 5% of the total number of the Placing Shares (excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option) are available for subscription at the Offer Price to an executive Director (Mr. Matthew P. Johnston) and the full-time employees of the Group under the Placing on a preferential basis. Mr. Johnston has undertaken to the Stock Exchange that, for a period of six months from the date on which dealings in the Shares first commenced on the GEM, he would not dispose of (or enter into any agreement to dispose of) any of his interest in the Shares to be allotted to him under the preferential allotment.

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PLACING STATISTICS

Market capitalisation (*Note 1*) HK\$1,575 million

Adjusted net tangible asset value per Share (*Note 2*). HK\$0.28

Notes:

1. The market capitalisation has been arrived at based on an Offer Price of HK\$1.355 per Share (being the mid-point of the stated range of the Offer Price of between HK\$1.23 to HK\$1.48 per Share) and takes no account of any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option and the BNP Prime Peregrine Option.
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” of this prospectus and on the basis of a total of 1,162,500,000 Shares in issue and to be issued as mentioned herein. This takes no account of any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option and the BNP Prime Peregrine Option or the Shares which may be issued on completion of the iSteelAsia Acquisition or the exercise of any options which have been granted or may be granted under 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 or otherwise.

RISK FACTORS

As the Internet-related industries are emerging industries and the Group’s business is concentrated in Internet related industries, in particular e-commerce, the investment risk associated with investing in the securities of the Company is greater than that associated with other industries. Prospective investors should read carefully the section of this prospectus headed “Risk factors”. Some of the risks associated with investing in the securities of the Company can be broadly categorised into (i) risks relating to the Group; (ii) risks relating to the Asian Internet industry and the Internet industry in general; (iii) political and economic risks; and (iv) risks relating to the Shares and are outlined as follows:

Risks relating to the Group

- The Group has a limited operating history
- The Group has a history of losses and losses are expected for the foreseeable future

- The Group may not be able to successfully implement its strategy for future growth
- The Group depends on key executives and personnel
- The Group's failure to achieve Year 2000 compliance for its computer systems may adversely affect the Group's business
- The intended use of proceeds from the Placing may not be utilised as planned
- The Group may not be able to successfully keep pace with rapid change in technology
- The tradename of the Company will also be used by the iMerchants Group
- The Group may be liable for defective services

Risks relating to the Asian Internet industry and the Internet industry in general

- The e-commerce solution industry is intensely competitive
- The Internet may fail to be a viable marketplace
- Statistics referred to in this prospectus may not be accurate, complete or up-to-date

Political and economic risks

- The economic climate in Asia is volatile
- There are political and economic risks associated with doing business in Hong Kong and elsewhere in Asia
- A change in currency exchange rates could increase costs relative to revenues of the Group

Risks relating to the Shares

- An active trading market for the Shares may not develop and the trading price of Shares may fluctuate significantly
- The Company may issue further new Shares within six months of listing and thereafter
- Forward-looking statements contained in this prospectus may be materially different from the actual results, performance and achievements of the Group or the industry in the future