2. DETAILS OF THE PUBLIC ISSUE

This Prospectus is dated 31 December 2002.

Approvals from the KLSE and the SC have been obtained vide their letters dated 23 August 2002 and 20 August 2002 respectively for the proposed listing of Portrade, for the admission to the Official List of MESDAQ Market, and for permission to deal in and for the listing of and quotation for the entire issued and paid-up share capital of Portrade including the Public Issue Shares which are the subject of this Prospectus. These Shares will be admitted to the Official List of MESDAQ Market and official quotation will commence upon receipt of confirmation from MCD that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. The KLSE and the SC assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the Official List of MESDAQ Market is not to be taken as an indication of the merits of the Company and its subsidiary or associated companies or of its Shares.

Under KLSE's trading rules, effective from the date of listing, trading in all KLSE listed securities can only be executed through an ADA.

A copy of this Prospectus had been registered by the SC and lodged with the Chief Executive Officer of the Companies Commission of Malaysia (formerly known as Registrar of Companies, Malaysia) who take no responsibilities for its contents.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the KLSE has prescribed the Shares of Portrade as a prescribed security. In consequence thereof, the Public Issue Shares issued through this Prospectus will be deposited directly with MCD and any dealings in these Shares will be carried out in accordance with the aforesaid Acts and the Rules of the MCD.

An applicant for the Public Issue Shares should state his CDS Account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS Account, he should state in the Application Form his preferred ADA Code.

The written consents of the Adviser, Sponsor, Placement Agent, Managing Underwriter, Underwriter, Principal Bankers, Registrar, Issuing House and the Company Secretary to the inclusion in this Prospectus of their names in the form and context in which their names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consents of the Solicitors to the inclusion in this Prospectus of its name and extracts of its legal opinions on Section 132G and Section 132E of the Act in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their name, Accountants' Report and their letter relating to the Proforma Balance Sheet in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by Portrade. Neither the delivery of this Prospectus or any offer made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of Portrade since the date hereof.

The distribution of this Prospectus and the sale of the Public Issue Shares in certain other jurisdictions outside Malaysia may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Public Issue Shares in any jurisdiction in which such invitation is not authorised or lawful, or to any person to whom it is unlawful to make such invitation.

Acceptance of applications will be conditional upon permission being granted to deal in, the listing of and quotation for all of the Public Issue Shares. Monies paid in respect of any application accepted will be returned without interest if the said permission is not granted.

If you are unsure of any information contained in this Prospectus, you should consult AmMerchant Bank, your stockbroker, bank manager, solicitor, accountant, or other professional adviser.

2. DETAILS OF THE PUBLIC ISSUE (cont'd)

2.1 Purposes of the Public Issue

The purposes of the Public Issue are as follows:-

(i) The listing of Portrade Shares on the MESDAQ Market is expected to further enhance the Group's corporate reputation and assist the Group in expanding its customer base both in Malaysia and abroad;

(ii) To provide an opportunity for Malaysian investors and institutions, and eligible employees of the Group to participate in the equity and continuing growth of the Group;

(iii) To facilitate the Group's expansion plans as proceeds to be raised from the Public Issue will be substantially utilised towards R&D and working capital;

(iv) To enable Portrade to gain access to the capital markets to seek fundings for its future expansion and growth; and

(v) To obtain the listing of and quotation for Portrade's entire issued and paid-up share capital on the MESDAQ Market.

2.2 Share Capital

Share of RM0.10 each ("Shares")	RM
Authorised Share Capital	
❑ 200,000,000 Shares	20,000,000
Issued And Fully Paid-Up Share Capital :-	
❑ 80,000,000 Shares	8,000,000
To be issued pursuant to the Public Issue:-	
❑ 13,300,000 Shares	1,330,000
Enlarged issued and paid-up share capital upon listing	9,330,000

There is only one class of shares in the Company, namely ordinary shares of RM0.10 each ("**Shares**"), all of which rank pari passu with one another. The Public Issue Shares to be issued pursuant to this Prospectus will rank pari passu in all respect with the existing Shares of the Company including voting rights and rights to all dividends that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of Shares in the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and the whole of any surplus in the event of the liquidation of the Company.

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on show of hands, every person present who is a shareholder or representatives or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representatives shall have one vote for each Share held.

2.3 Details of the Public Issue

The issue of 13,300,000 Shares at the Public Issue Price of RM0.30 per Share is payable in full on application upon such terms and conditions as set out in this Prospectus.

The 13,300,000 Public Issue Shares will be allocated and allotted in the following manner :-

(i) ***Public Offer***

1,300,000 new Shares representing approximately 1.4% of the enlarged issued and paid-up share capital of Portrade will be reserved for eligible employees of Portrade and TSSB.

2. DETAILS OF THE PUBLIC ISSUE (cont'd)

(ii) Private Placement

12,000,000 new Shares representing 12.9% of the enlarged issued and paid-up share capital of Portrade will be made available for application under the private placement.

All the Shares under paragraph (i) above and the 2,850,000 Shares made available for placement to non-exempt inventors in paragraph (ii) above amounting to a total of 4,150,000 Shares have been fully underwritten by the Underwriter. The remaining 9,150,000 Shares in paragraph (ii) made available for placement to exempt investors as defined under Schedule 2 and 3 of the Securities Commission Act, 1993 will not be underwritten as irrecoverable undertakings have been obtained for the subscription of the said Shares. In the event of an under-subscription of the Shares under paragraph (i), the unsubscribed Shares will be made available for application under the private placement under paragraph (ii) and if these Shares are not subscribed for by way of private placement, they will be subscribed by the Underwriter in accordance to the Underwriting Agreement dated 20 December 2002. The is no minimum level of subscription in respect of the Public Issue.

2.4 Basis of arriving at the Public Issue Price

Prior to the Public Issue, there has been no public market for the Shares of Portrade. The Public Issue Price of RM0.30 per Share for the Public Issue Shares has been determined through negotiation between the Company and the Managing Underwriter after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and condition, its prospects and the prospects of the industry in which the Group operates, the management of the Group and prevailing market conditions.

However, investors should also note that the market price of RM0.30 per Share upon listing on MESDAQ Market are subject to the vagaries of the market forces and other uncertainties which may affect the price of Portrade Shares being traded.

2.5 Proceeds of the Public Issue and Their Utilisation

All proceeds of the Public Issue after deducting the relevant listing expenses will accrue to Portrade. The estimated total gross proceeds of the Public Issue is approximately RM3.99 million. Portrade will bear all other expenses incidental to the listing of and quotation for Portrade's Shares on the MESDAQ Market which include underwriting commission, management and placement fees, brokerage, registration fee, professional fees, authorities fees, advertising, listing expenses and other fees the aggregate of which is estimated to be approximately RM950,000.

The proceeds from the Public Issue of approximately RM3.99 million will be utilised as follows:-

		RM'000	Proposed utilisation timeframe
(i)	Working Capital	3,190	Within six (6) months from date of listing
(ii)	Part finance estimated listing expenses	800	Immediate upon completion of the Public Issue
	Total proceeds	**3,990**	

Notes :-

(a) ***<u>Working capital</u>***
This will be used to fund the Group's day to day working capital requirements which may include staff salaries, R&D, marketing and other operational expenses, etc.

(b) ***<u>Part finance estimated listing expenses</u>***
Part of the proceeds of up to RM800,000 will be utilised to part finance the incidental expenses relating to the Public Issue amounting to approximately RM950,0000 which consist mainly of professional fees and charges of approximately RM555,000, brokerage, placement and/or underwriting fees of approximately RM160,000, regulatory fee of approximately RM35,000, advertisement and printing charges of approximately RM170,000.

The proceeds from the Public Issue is expected to improve the cash flow and working capital of the Group to enable it to expedite its R&D activities and drive its marketing activities for regional expansion. Without the proceeds from the Public Issue, the Group may need to finance these activities through borrowings from financial institutions and incur interest charges. Hence, the proceeds from the Public Issue will also benefit the Group in terms of interest saving.

2.6 Brokerage, Placement and Underwriting Expenses

Brokerage is payable in respect of the Public Issue Shares by the Company at the rate of one percent (1.0%) of the Public Issue Price of RM0.30 per Share in respect of successful applications which bear the stamp of AmMerchant Bank, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

A management fee is payable by the Company in respect of all the Public Issue Shares at the rate of one percent (1.0%). A placement fee at the rate of two percent (2%) is payable by the Company in respect of all the Private Placement Shares successfully placed out by the Placement Agent.

The Managing Underwriter mentioned herein have agreed to underwrite all the Public Issue Shares to be offered to the public investors and employees of Portrade Group at the rate of 2.0%.There is a force majeure clause in the Underwriting Agreement ("**Agreement**") dated 20 December 2002 which allows the Underwriter to withdraw from the Arrangement under adverse circumstances. The salient terms of the Agreement between the Company and the Underwriter stating the events that may affect the underwriting of the Public Issue Shares are as follows: -

CLAUSE 2 - AGREEMENT TO UNDERWRITE

2.1 In consideration of the payment by the Company of the Management Fee and Underwriting Commission, and, relying upon each of the representations, warranties and undertakings by the Company set out in Clause 3, the Underwriter hereby agrees to underwrite the Underwritten Shares to the extent of the Underwriting Commitment upon the terms and conditions hereinafter contained.

2.2 The obligations of the Underwriter under this Agreement are conditional upon:-

2.2.1 there having been on or prior to the Closing Date, neither any adverse change nor any development reasonably likely to result in any prospective adverse change in the condition (financial or otherwise) of the Group, which is material in the context of the Public Issue from that set forth in the Prospectus, nor the occurrence of any event which makes any of the representations and warranties contained in Clause 3 in the opinion of the Underwriter (which opinion is final and binding) untrue and incorrect in any material respect as though they had been given and made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of the undertakings contained in Clause 3;

2.2.2 the delivery to the Managing Underwriter prior to the date of the registration of the Prospectus with the SC of:-

2.2.2.1 a copy certified as a true copy by an authorised officer of the Company of all the resolutions of the Directors of the Company approving this Agreement, the Prospectus, and authorising the execution of this Agreement and the issuance of the Prospectus; and

2.2.2.2 a certificate, in the form or substantially in the form contained in the First Schedule, dated the date of the Prospectus signed by duly authorised officers of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 2.2.1.

2.2.3 the delivery to the Managing Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from the board of directors of the Company ("Directors") as the Underwriter may reasonably require to ascertain that to the best of their knowledge and belief, having made all reasonable enquiries there is no material change of condition or circumstances subsequent to the date of this Agreement that would or may have an adverse effect on the performance or financial position of the Company or its Subsidiary;

2.2.4 the Managing Underwriter having been satisfied that adequate arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 14;

2. DETAILS OF THE PUBLIC ISSUE (cont'd)

2.2.5 the Public Issue not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia;

2.2.6 the Managing Underwriter having been satisfied that the Company has complied and that the Public Issue is in compliance with the policies, guidelines and requirements of the KLSE and/or SC and all revisions, amendments and/or supplements thereto;

2.2.7 the acceptance for registration by the SC of the Prospectus and such other documents as may be required in accordance with the SC Act in relation to the Public Issue and the lodgement of the Prospectus with CCM on or before their release under the Public Issue; and

2.2.8 The KLSE and the SC (as the case may be) having approved the Prospectus and agreed in principle on or prior to the Closing Date of the listing of and quotation of the issued / paid-up share capital of the Company on the MESDAQ Market of the KLSE and if such approval shall be conditional, all conditions thereto being in terms acceptable to the Underwriter and the Underwriter being reasonably satisfied that such listing and quotation shall be granted three (3) clear Market Days after the Issue Shares have been issued and despatched to entitled holders and the Prospectus being in form and substance satisfactory to the Underwriter.

2.3 If any of the conditions set out in Clause 2.2 is not satisfied by the Closing Date, the Underwriter shall thereupon be entitled to terminate this Agreement and in that event except for the liability of the Company for the payment of costs and expenses as provided in Clause 14 incurred prior to or in connection with such termination there shall be no further claims by the Underwriter against the Company, and the Parties shall be released and discharged from their respective obligations hereunder PROVIDED THAT the Underwriter may at its discretion with respect to its own obligations waive compliance with any of the provisions of Clause 2.2.

CLAUSE 8 - EVENTS AFFECTING THE PUBLIC ISSUE

8.1 Subject to prior consultation, the Underwriter shall be entitled to terminate this Agreement by notice in writing delivered to the Company at any time not later than forty-eight (48) hours before the Closing Date if the success of the Public Issue is, in the opinion of the Underwriter giving the aforesaid notice, materially jeopardised by:-

8.1.1 the coming into force of any laws or Governmental regulations and directives which seriously affects or will seriously affect the business of the Group; or

8.1.2 any material breach by the Company of any of its representations, warranties, obligations or undertakings under this Agreement;

8.1.3 any material and adverse change in the condition (financial or otherwise) of the Group from that described in the Prospectus; or

8.1.4 any material and adverse changes in the markets of its products (foreign market).

8.2 On delivery of such a notice this Agreement shall become void and each Party's rights and obligations hereunder shall cease and none of the Parties (except for the liability of the Company in respect of payments of costs and expenses referred to in Clause 14 incurred prior to or in connection with such termination) shall have any claim against each other. Thereafter the Underwriter and the Company shall confer with a view to deferring the Public Issue or amending its terms and/or entering into a new Underwriting Agreement PROVIDED THAT the Company or the Underwriter shall not be under any obligation to enter into such new agreement.

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2. DETAILS OF THE PUBLIC ISSUE (cont'd)

CLAUSE 9 - WITHDRAWAL OR UNACCEPTABLE CONDITIONS OF APPROVAL FOR LISTING BY THE KLSE

The Underwriter shall have the right to terminate this Agreement by notice in writing served on the Company in the event that the approval of the KLSE for the admission of the Company to the Official List of the KLSE or for the listing of and quotation for the entire issued and paid-up share capital of the Company on the MESDAQ Market of the KLSE is withdrawn or procured but subject to conditions not acceptable to the Underwriter and upon such termination the liabilities hereto of the Company and the Underwriter shall become null and void and none of the Parties shall have a claim against each other save for Clause 5, 5A and 14 and that each Party shall return any moneys paid to the other or others under this Agreement within forty-eight (48) hours of the receipt of such notice.

CLAUSE 10 - TERMINATION / LAPSE OF AGREEMENT

10.1 Notwithstanding anything herein contained, the Underwriter may by notice in writing to the Company given at any time before that Closing Date, terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares if:-

10.1.1 there is any material breach by the Company of any of the representations, warranties or undertakings contained in Clause 3, which, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, or by Closing Date, whichever is earlier, or withholding of information of a material nature from the Underwriter, which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares; or

10.1.2 there is withholding of information of a material nature from the Underwriter, which, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the issue, or the distribution or sale of the Issue Shares; or

10.1.3 there shall have occurred, happened or come into effect any material and adverse change to the business or financial condition of the Group; or

10.14 there is any failure on the part of the Company to perform any of its obligations herein contained; or

10.1.5 there shall have occurred, happened or come into effect any of the following circumstances:-

(a) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or

(b) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of terrorism, acts of war or accidents);

which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or the operations of the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares, or which is likely to have the effect of making any material part of this Agreement incapable of performance with its terms pursuant to the underwriting thereof.

10.2 Upon such notice(s) being given under Clause 10.1, the Underwriter shall be released and discharged of its obligations without prejudice to its rights whereby this Agreement shall be of no further force or effect and no Party shall be under any liability to any other in respect of this Agreement, except that the Company shall remain liable in respect of any of its obligations and liabilities under Clause 3 and under Clause 14 for the payment of the costs and expenses already incurred up to the date on which such notice was given and under Clause 14 for the payment of any taxes, duties or levies.

2.7 Estimated Listing Expenses

The estimated listing expenses for the Public Issue are as follows :

	RM'000
Professional fees	555
Fees of the Authorities	35
Placement and management fees and underwriting commission	120
Brokerage fee	40
Printing and advertising fees	170
Miscellaneous	30
Total	* 950

* *of which RM800,000 will be financed via proceeds from the Public Issue.*

2.8 Future Financials Information

No future financial information are included in this Prospectus as it is difficult to forecast due to the dynamic nature and inherent risks of the business of the Portrade Group. Please refer to "Section 3 - Investment Considerations" for further details, particularly on "Section 3.2.2 - Ability to meet the proposed five (5) year Business Development Plan", "Section 3.3.12 - Risk Associated with the Nature of Contracts", "Section 3.3.13 - Risk associated with sub-contracts of IT projects", "Section 3.5.1 - No Guarantee of Market Acceptance of ASP Business Model and Cost of Switching to the Group's Application Software", "Section 3.5.5 - Product Development Cycle"; and " Section 3.5.6 - Need to secure critical mass to ensure the success of the e-port community".

2.9 Approvals by relevant Authorities

The SC on 20 August 2002 and KLSE on 23 August 2002 approved the listing of Portrade and the FIC on 18 February 2002 ratified the acquisition of TSSB by Portrade. The approvals from the SC and the KLSE were subject to, inter alia, the following conditions:-

Authority	Details of Conditions Imposed	Status on Compliance
SC	Portrade is required to disclose the status of the utilisation of proceeds in the semi-annual and annual report of the Company until the proceeds has been fully utilised.	Portrade will disclose the status of the utilisation of proceeds in its semi-annual and annual report until the proceeds has been fully utilised.
KLSE	(i) Portrade is required to disclose in full the following information in the Prospectus :-	
	(a) basis of valuation of TSSB and the duration of the contracts which have been secured pursuant to the acquisition of TSSB	Disclosed in Section 4.3.1 of this Prospectus
	(b) Rationale of acquiring i-SELL and I-Dynamic software from a director related company for RM1.2 million which was subsequently replaced by a new software/ platform and the chronology of events thereof;	Disclosed in Section 4.3.3 of this Prospectus
	(c) All legal opinions from the solicitors, Messrs Jeff Leong, Poon & Wong which have been furnished to the Exchange in relation to the issues of Section 132G and 132E of the Act	Extract of legal opinion on Section 132G of the Act is disclosed in Section 4.3.1, 4.3.2 and 4.3.3 while the extract of the legal opinion on Section 132E of the Act is disclosed in Section 11.1.2 of this Prospectus

2. DETAILS OF THE PUBLIC ISSUE (cont'd)

Authority	Details of Conditions Imposed	Status on Compliance
	(d) The accounting policy of capitalising software licences and source codes as fixed assets;	Disclosed in Section 4.3 of this Prospectus and Section G(1)(f) of the Accountants' Report in Section 14 of this Prospectus
	(e) Legal uncertainty of port related projects to include all affected sub-contracts	Disclosed in Section 3.3.13 of this Prospectus
	(f) Steps that have been taken and its future plans to reduce dependence on MRSB Group	Disclosed in Section 11.2 of this Prospectus
	(g) The intention of directors to wind down the MRSB Group within a specific timeframe	Disclosed in Section 11.2 of this Prospectus
	(h) A negative statement on the exclusion of profit forecast and projections from the Prospectus and the reasons thereof	Disclosed in Section 2.8 of this Prospectus
	(ii) Portrade/ TSSB to cease all revenue sharing arrangements under the sub-contracts with Malitnet Group of companies effective from the date of approval of the Listing Proposals	All revenue sharing agreements under sub-contracts with Malitnet group of companies have ceased effective from the date of approval of the Listing Proposals by the KLSE on 23 August 2002.
	(iii) All existing sub-contracts between Portrade Group with director related companies must be legally assigned to Portrade and TSSB, as the case may be. Pending the execution of such legal and valid assignment of these contracts to Portrade and/or TSSB, to procure and furnish the Exchange with such letters of consent from the clients i.e. port authorities agreeing the execution of such assignments to Portrade and/or TSSB prior to the issuance of the Prospectus. In addition, the material terms of the assigned contracts be disclosed in the Prospectus including the tenure of the contracts, parties and termination clauses	The letters of consent from the clients were furnished to the Exchange on 12 December 2002. Details of the letters of consent together with the material terms of the assigned contracts are disclosed in Section 11.1.2 of this Prospectus.
	(iv) Portrade to appoint another company secretary to replace Nobel Pang Paul Gen due to his primarily responsibilities as a director and Chief Marketing Officer	Nobel Pang Paul Gen had on 8 October 2002 and 16 October 2002 resigned as Company Secretaries of Portrade and TSSB respectively and was replaced by Yeo Puay Huang on the respective dates.
	(v) In view of the merger of Arthur Andersen & Co. and the setting up of a new partnership with Ernst & Young, the newly merged firm to reconfirm its opinion in relation to Portrade's accounting policy of capitalising software licences and source codes as fixed assets and the financial due diligence conducted on Portrade's Listing Proposal	Ernst & Young has via its letters dated 2 December 2002 and 18 December 2002 respectively confirmed the accounting policy and the financial due diligence.
	(vi) TSSB to fully recover the amounts owing by a director and ValuePlus Systems Sdn Bhd prior to issuance of Prospectus	(i) The amount owing by a director, namely Tan Tiong Liang @ Tan Chung Liang was fully settled by 10 October 2002. (ii) The amount owing by ValuePlus Systems Sdn Bhd was fully settled by 31 October 2001.
	(vii) Portrade to notify the Exchange on the appointment of independent directors and provide the necessary confirmations that they qualify as independent directors pursuant to the Listing Requirements	Portrade has on 11 November 2002 appointed Lawrence Lai Yew Son and Choong Pee Choy as Independent Chairman and Director respectively and had submitted the necessary confirmations to the KLSE on 9 December 2002.

3. INVESTMENT CONSIDERATIONS

Prior to making an investment decision, potential applicants for the Public Issue Shares should carefully consider, in addition to all other information contained elsewhere in this Prospectus, the following investment considerations before making the application for the Public Issue Shares. Prospective applicants are cautioned that such statements are only predictions and that actual results or events may differ materially from those disclosed in this Prospectus.

Factors that could cause or contribute to such differences include, but are not limited to, those disclosed in this section and Section 6 "Business Overview" of this Prospectus, as well as those discussed elsewhere in this Prospectus.

3.1 Risks related to Investing in Shares

3.1.1 No prior market for Portrade Shares

Prior to the Public Issue, there has been no public market for Portrade's Shares. There can be no assurance that an active market for Portrade's Shares will develop upon its listing on the MESDAQ Market or, if developed, that such a market will be sustained. As such, there is also no assurance that the shareholders of the Company will be able to resell the Company's Shares at the Public Issue Price or at any price.

3.1.2 The market price for Portrade Shares may be volatile

The Public Issue Price of RM0.30 per Share for the Public Issue Shares has been determined through negotiation between the Company and the Managing Underwriter after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and condition, its prospects and the prospects of the industry in which the Group operates, the management of the Group and the prevailing market conditions.

Accordingly, the Public Issue Price should not be considered an indication of the actual value of the Group, as it bears no relationship to the Group's assets, book value, earnings, net worth or other financial statement criteria of value. The market price of the Company's Shares subsequent to its listing therefore could be subjected to significant fluctuations in response to variations in the Group's anticipated or actual operating results, the general conditions of the economy and the ICT industry, changes in earnings estimates or investment recommendations by analysts, investor perceptions and expectations regarding the Group's application software and services, announcements of technological innovations or new application software or services, strategic position and future plans of the Group, its competitors and its customers, or other events or factors. Accordingly, there can be no assurance that the indicative Public Issue price will correspond to the price at which Portrade's Shares will be traded on the MESDAQ Market upon or subsequent to its listing.

3.1.3 Existing shareholders would exercise continued control over the Company

Upon completion of the Public Issue, the Promoters/Directors and Major Shareholders of Portrade will, in aggregate, own approximately 74.28% of the issued and paid-up share capital of Portrade. As a result, these shareholders, acting in concert, may possess voting control over the Company, giving them the ability, amongst others, to elect at least a majority of the Company's Board of Directors and to control the vote on significant corporate transactions unless they are required to abstain from voting by law, covenants and/or by the relevant authorities. The Promoters can also exercise a controlling influence over the business directions and affairs of the Company and may from time to time introduce policies that would ultimately reflect their own goals and strategies.

As a measure of good corporate governance, Portrade has appointed two (2) independent Directors to ensure that future transactions involving related parties are entered into on arms-length terms to safe guard the interests of the minority shareholders.

3.2 Risks Related To Financial Conditions

3.2.1 Fluctuation in the general Economic Conditions of the Region in which the Group operates

The demand for the Group's application software and services are affected by the general level of economic activity in the region and in the industries in which it operates. When the activity of economy slows down, businesses may opt to scale down operations and reduce their technology-related spending. Therefore, a significant economic slowdown may have impact on the business, financial health and operating results of the Group.

As Portrade's application software and services are primarily targeted at the ports and port operators, this risk is minimised as the performance of the ports have been relatively unaffected by the general economic condition as their services are considered essential and critical to a nation's trade and commerce. In addition, Portrade is also aggressively expanding its customer base thereby mitigating the impact of the downside risk of regional economic fluctuations. Nevertheless, there can be no assurance that during a economic slowdown the results of the Group's operations will not be adversely affected.

3.2.2 Ability to meet the proposed five (5) year Business Development Plan

The Group's future plan and prospects as proposed in the five (5) year business development plan will be dependent upon, amongst other things, the Group's ability to secure necessary projects/ contracts; enter into strategic alliances, marketing and licensing or other arrangements on a timely basis and on favourable terms; hire and retain skilled personnel; ability to manage growth (including monitoring operations, controlling costs and maintaining effective quality and service controls); obtain adequate financing as and when needed. The Group believes that with its experienced Directors and management as well as proper planning, it will be able to carry out its business development plan as planned. Nevertheless, there can be no assurance that the Group will be able to successfully implement its business plan or that unanticipated expenses or problems or technical difficulties will not occur which would result in delays in implementation of the business plan or deviation from its original plans. In addition, the actual results may also deviate from the business plan due to rapid technological changes, market, as well as competitive pressures.

3.2.3 The Group may need future Capital Injection

It is the opinion of the Directors that the net proceeds of the Public Issue, together with cash flow from operations and other existing sources of liquidity will be sufficient to meet the Group's projected working capital and other cash requirements. However, there is no assurance that future events may not cause the Group to seek additional capital sooner. If additional capital is required, there can be no assurance that it will be available or, if available, that it will be on terms satisfactory to the Group. The sale of additional equity or other convertible securities to new shareholders will result in further dilution in interests of the Group's existing shareholders.

3.2.4 Foreign Exchange

The Group's revenue is mainly generated from within Malaysia through its existing port and co-operative application software. However, as the Group is rapidly expanding its operations abroad, it will be exposed to foreign exchange risk in the future due to its expansion plans. Nevertheless. on 1 September 1998, the Malaysian government pegged the exchange rate at RM3.80/USD1 thus minimising foreign exchange risk. However, there can be no assurance that the exchange rate pegging will remain or that future foreign exchange fluctuations will not adversely affect the Group.

3.3 Risks Related To Operations

3.3.1 Limited Operating History

Portrade and TSSB have limited operating history as they only commenced business in 2000 and 1997 respectively. Such limited operating history has made it difficult to identify and evaluate the risks and uncertainties which may adversely affect the operations and performance of the Group. Nevertheless, while the Group is a relatively new set-up, its IT business is a continuation of the maritime port IT business which was started in 1985 by MSB. Over the past fifteen (15) years, certain Promoters, namely Tan Tiong Liang @ Tan Chung Liang and Nobel Pang Paul Gen has through MSB and TSSB (since 1997) implemented computerisation projects for numerous ports throughout Malaysia. Mr. Tan Tiong Liang @ Tan Chung Liang and Mr. Nobel Pang Paul Gen are currently the Directors, Promoters and Major Shareholders of Portrade and they are expected to continue to contribute to the future growth and success of the Group.

3.3.2 Slow Take-Off of E-Submission/ E-Payment and E-commerce

With the advent of the Internet age and Web-technologies, E-Submission/ E-Payment/ E-commerce is set to be the effective and efficient mode of business dealings and interactions in the near future. There is tremendous business opportunities for the Group to become a leading facilitator of E-commerce transactions for the port trading communities in the ASEAN region. Accordingly, Portrade is currently positioning itself as one of the leading Web-based ASPs in the ASEAN region and plans to venture into other port trading communities in the Asia-Pacific region in the immediate future. In general, business communities have been slow in embracing E-Submission/ E-Payment/ E-commerce and accordingly it has yet to reach the required critical mass to encourage wide adoption of E-Submission/ E-Payment/E-commerce. Any delay in the market acceptance and adoption of Portrade's E-commerce offerings may adversely affect the business directions, development and expansion plans, operations and financial performance of the Group.

3.3.3 Dependence on a niche market and limited range of application software for a significant portion of Revenues

The Group's current customers comprise mainly the ports, local councils and co-operatives located in Malaysia. For the financial period ended 30 June 2002, the Group's five largest (5) customers collectively accounted for nearly ninety percent (90%) of the Group's revenue. In addition, the Group is currently only relying on its three (3) application software, namely CTS, VSS and MMS and the provision of maintenance services to generate income. As such, there is a risk that the Group may be dependent on a small customer base in a single country and limited range of application software to generate its revenue, and should the Group lose any of these customers or its application software no longer in demand, the operations and financial performance of the Group may be adversely affected.

The management believes that while the number of customers is fairly small, they are long term and reliable customers that will not switch vendors easily. In addition, in order to retain these customers and to mitigate this risk, the Group has consistently provided its customers with prompt and reliable services. Concurrently, Portrade is in the midst of expanding its customer base to other maritime ports in the ASEAN region such as the Philippines, Thailand, China and Indonesia and has successfully secured IT project from the Philippines. The Group is also developing other new and innovative application software (as set out in Section 7.1.2 of this Prospectus) and plans to introduce Web-based IT services to further diversify its product range to cater for a wider range of customers.

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3.3.4 Rapid Changes in Technology and Dependence on Technology Partners/ Vendors

The Group utilises various software development tools such as Informix 4GL, Informix Dynamic 4GL and i-Dynamic as well as IBM's WebSphere to develop its Web-based port application software. Following the acquisition of Informix by IBM in year 2001, Portrade decided to migrate its existing software development platform from Informix's iSELL to IBM's WebSphere which is supported by IBM at competitive rates. Further information on the migration are set out in Section 4.3.3 of this Prospectus.

The Group has and would, from time to time, out-source certain non-critical programming and IT functions that are considered not strategic and or cost effective for the Group to acquire or develop in-house. For example, programming for Web design and the hosting of database and application software in a server farm are more cost effective to be outsourced to third party IT specialists who have the necessary skills and equipment.

Due to rapid changes in IT technology as well as merger and takeover activities among the IT vendors, there can be no assurance that these IT vendors firm will remain in business, or that they will continue to support their technology or that the technology will be available at commercially viable rates. The loss or inability to acquire such new licenced software may result in delays or cancellations in completion of IT projects and/ or application software and services. Any such delay could materially adversely affect the Group's business, operating results and financial condition.

To mitigate this risk, the Group conducts extensive feasibility studies before acquiring the software development tools to meet its requirements. In addition, the Group only out-sources selected IT functions to, and acquires licensed software from established reputable IT partners and vendors to ensure the quality, availability and continued support for the software products and services.

3.3.5 Ability to implement new technology as it becomes available to remain competitive

Early adopters of new technology innovations normally enjoy improved efficiency and hence better profitability. However, such technology innovations are usually expensive to develop, acquire and implement or there may be difficulties in its implementation due to the lack of economies of scale or appropriate skilled personnel. As such, organisations must always balance between venturing into a new and unproven technology as an early adopter to reap the benefits and also bear the risk associated with such immature technology against risking being un-competitive as a late adopter.

To mitigate this risk, the Group will not be venturing into any new and unproven technology until it is widely accepted by the business community. However, if and when the situation demands early adoption of the new technology, the Group may enter into strategic alliances and/or partnership with the relevant industry experts to maintain its technical edge and remain competitive.

3.3.6 Ability to compete successfully in the IT Industry

The IT industry is a relatively open industry with a low barriers of entry. With the advent of ASP technology, application software can be implemented within a short time frame and with minimal up-front cost (i.e. low cost of switching). As such, IT software developers with the necessary IT skills and equipment could quickly develop innovative application software that challenge the established brands. Hence, the IT industry is highly competitive and rapidly changing. As the Group is planning to expand regionally in the future, some of the IT consultancy firms and ASP in these countries may have significantly greater resources than the Group, in terms of finance, technical, human resource and others and may be able to respond more quickly to new or emerging technologies and changes in customer preference or devote greater resources to the development, promotion, sale and service of their products and services. Increased competition could result in price reductions, reduced revenue and margins, and loss of market share, any one of which could materially adversely affect the Group's business, operating results and financial condition. In addition, current and potential competitors may make strategic acquisitions or establish co-operative relationships among themselves or with third parties, thereby increasing the ability of their products to address the needs of the Group's prospective customers.

Therefore, it is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share.

The markets for the Group's Web-based applications and services are characterised by rapid technological developments, evolving industry standards, swift changes in customer requirements, computer operating environments and software applications, and frequent new product introductions and enhancements. The Group's future depends substantially upon its ability to address the increasingly sophisticated needs of its customers by supporting existing and emerging hardware, software, database and networking platforms.

The Group believes that its ability to compete depends upon many factors within and outside its control, including timing and market acceptance of its products and services and enhancements developed by the Group and its competitors, product functionality, ease of use, performance, price, value for money, reliability, customer service and support, sales and marketing efforts and product distribution channels.

To the best knowledge of the management, the Group has only limited competition for the products and services it offers in Malaysia. Through certain Promoters who have over fifteen (15) years of experience in similar sector, the Group has gained vast experience and established relationships with key ports in the region and this has placed the Group at a competitive edge over its existing and potential future competitors.

To further mitigate the threat of increased competition, the Group will :-

* Focus on technology which is highly reliable and able to handle high volumes;
* Carry out R&D activities to enhance existing and develop new application software and improve the mode of delivery of its applications and services to its customers;
* Actively manage its customers' expectations and keep pace with the rapid changes in IT industrial trends; and
* Establish and maintain strong business relationship with its existing customers

Despite the above mentioned mitigating strategies, there can be no assurance that Group will be able to develop and introduce new application software and services or enhancements in a timely manner in response to changing market conditions, competition or customer requirements, failing which the Group's business, operating results and financial condition could be materially and adversely affected.

3.3.7 *Safeguard of Intellectual Property Rights*

The Group's success is dependent upon its ability to protect its proprietary technology, products and services. However, existing patent, copyright, trademark and trade secret laws afford only limited protection. Accordingly, there can be no assurance that the Group will be able to protect its proprietary rights against unauthorised third party copying, use or exploitation, any of which could have a material adverse effect on the Group's business, operating results and financial condition.

In the event of any future dispute regarding use of any such proprietary technology, products and services, litigation or other action may be necessary to enforce and defend the Group's proprietary rights, or to determine the validity and scope of the proprietary rights of others.

The Group is not aware that any of its products infringe on the proprietary rights of third parties. There can be no assurance, however, that third parties will not claim infringement against the Group with respect to current or future products. Such litigation or proceedings, whether or not meritorious, could result in substantial costs and diversions of resources and management's attention, and could have a material adverse impact on the Group's business, operating results and financial condition.

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3.3.8 Dependence on Key Personnel and potential Human Resources Constraints

The Group's future success depends on the continued efforts and abilities as well as the networking of its Directors, Promoters, sales and marketing and senior management personnel. The loss of the services of any of these individuals may have a material adverse effect on the Group. Hence, the Group's future success is dependent on its ability to attract and retain skilled IT, sales and marketing personnel. The loss of key personnel could affect the Group's continuing ability to compete effectively in the industry.

The Group recognises that human resources are important to the future success and viability of the Group and has taken steps (such as the grooming of a second-tier management team, provision of proper training and development as well as equity participation opportunities in the Company) to ensure that there is continuity in the management of the Group.

3.3.9 Management of Growth

Portrade is currently experiencing a period of rapid growth. This may place a significant strain on its managerial, technical, financial, operational and other resources. For example, a rapid expansion in man power may seriously reduce profitability and affect the Group if the expanded man-power are not fully utilised. The Directors are mindful of such a potential risk and have drawn up a five (5) year business development plan (a summary is contained in Section 7 of this Prospectus) to plan, monitor and manage the growth of the Group.

3.3.10 The Group may enter into Acquisitions and Joint Ventures

If appropriate opportunities present themselves, the Group may acquire businesses, products or technologies that the Group believes will be in the interest of its shareholders. There can be no assurance that the Group will be able to successfully identify or negotiate such acquisitions, or to integrate any such acquisitions with its current business.

The process of integrating an acquired business, product or technology into the Group may result in unforeseen operating difficulties and expenditures, including but not limited to the assimilation of new operations and personnel, the diversion of financial and management resources from existing operations and the inability of management to integrate successfully the acquired businesses, personnel and technologies, all of which may absorb a significant amount of management attention that would otherwise be available for ongoing development of the Group's business. There can be no assurance that the anticipated benefits of any acquisition will be realised, or that the Group will be able to generate sufficient revenues from any such acquisition to offset associated acquisition costs, or that the Group will be able to maintain uniform standards of quality and service, controls, procedures and policies, which may result in the impairment of relationships with customers, employees and new management personnel. Acquisitions may also result in potentially dilutive issuances of equity, the incurrence of debt and contingent liabilities and amortisation expenses related to goodwill and other intangible assets.

The Group may also evaluate, on a case-by-case basis, joint venture relationships with certain complementary businesses. For example, the Group may enter into joint venture relationships with foreign IT partners to facilitate the Group's overseas expansion. Any such joint venture investments would involve many of the same risks posed by acquisitions, particularly those risks associated with the diversion of resources, the inability to generate sufficient revenues, the management of relationships with third parties and potential additional expenses.

3.3.11 The Group relies on certain Relationships

The Group has a number of relationships with third parties and affiliates that are significant to its sales, marketing and support activities and product development efforts. The Group relies to a certain extent upon some of its business partners and alliances to provide marketing and sales opportunities for the Group's products and services. These relationships also assist the Group in keeping pace with the technological and marketing developments of major software vendors, and in certain instances, provide the Group with technical assistance for the Group's product development efforts. There can be no assurance that these companies, some of which have significantly better financial, marketing and other resources than the Group, will not develop or market products which will compete with the Group's products in the future or will not otherwise discontinue their relationships with or support the Group. The failure of the Group to maintain its existing relationships, or to establish new strategic relationships in the future for any reason, could have a material adverse effect on the Group's business, operating results and financial condition.

3.3.12 *Risk Associated with the Nature of Contract*

Most of the Group's contracts such as consultancy and implementation of IT are short to medium term (usually less than five (5) years) in duration. As a result, the Group must continually renew, extend or replace its contracts to sustain its revenue. Contracts may be terminated for a variety of reasons, including failure to deliver the required products and services on a timely basis, termination of product development, failure of products to satisfy safety requirements, unexpected or undesired results from use of the product or the customer's decision to forego a particular project. The failure to obtain new contracts or the cancellation or delay of existing contracts could have a material adverse effect on the Group's business and results of operations.

Nevertheless, it is anticipated that the Group's continuous R&D effort and active marketing of new application software will be able to provide the Group with wider and diversified customer base. In addition, the Group will also be able to diversify its earning base once its e-port community Web-portal is in operation in 2003.

3.3.13 *Risk associated with sub-contracts of IT projects*

The Group may from time to time enter into sub-contract agreements with foreign IT consultants to implement its port IT application software/ ASP services in foreign countries. At the moment, Portrade is implementing the Philippines port IT project which it sub-contracted from its consortium partner in the Philippines, Unisys Australia Limited (Philippines Branch).

The main contract entered into between Unisys Australia Limited (Philippines Branch) and the Philippines Ports Authority contains clauses which provide for the termination of the contract under certain restricted conditions. There is a risk that the main contract may be terminated or rescinded for the reasons of default in the performance of the main contractor' and/or other sub-contractors' obligations and their failure to rectify the default under the contract. The Group, as sub-contractor to the main contractor, may be adversely affected in the event the main contract is terminated.

To mitigate this risk, the Group only secures sub-contract works from established, reputable IT vendors who have the experience and technical know-how in successful implementation of IT projects. The Philippines port IT project is currently the only sub-contract work entered into by the Group. All the other sub-contract agreements previously entered into by the Group as set out in Section 11.1.2 of this Prospectus with MRSB or MSB has been legally assigned over to the Group.

3.3.14 *Disclosure regarding Forwarding Looking Statements*

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by Portrade, Directors or employees acting on the Company's behalf, that are not statements of historical fact, constitute "forward-looking statement". Investors can identify some of these statements by forward-looking terms such as "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will", "would", and "could" or similar words. However, Investors should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Company's expected financial position, business strategy, plans and prospects are forward-looking statements. These forward-looking statements, including statements as to the Company's revenue and profitability, cost measures, planned strategy and any other matters discussed in this Prospectus regarding matters that are not historical facts are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

3.4 Risks Related to Regulations

3.4.1 Sovereignty, Political, Economic and Regulatory Considerations

Adverse developments in sovereignty, political, economic and regulatory conditions in Malaysia and other countries where the Group may operate, source its suppliers or market its application software and services could materially and adversely affect the financial prospects of the Group. Political and economic uncertainties include (but are not limited to) risks of war, expropriation, nationalisation, trade restrictions, renegotiation or nullification of existing contracts and methods of taxation and currency exchange controls.

3.4.2 MSC Status

Portrade was granted MSC-status on 31 October 2000 by MDC. Presently, all MSC Status companies are granted financial and non-financial incentives as set out in Section 8.3 (c) of this Prospectus.

There can be no assurance that Portrade will continue to retain its MSC Status or that it will continue to enjoy or not experience delays in enjoying the MSC incentives outlined above, all of which could materially and adversely affect the Company's business, operating results and financial condition.

3.5 Risks Related To Technology And Products

3.5.1 No Guarantee of Market Acceptance of ASP Business Model and Cost of Switching to the Group's Application Software

The future success of the Group depends on market acceptance of its Web-based application software using the ASP model. As ASP technology is relatively a new concept in the delivery of application software, there can be no assurance that it will be widely accepted by the port communities. However, with the Group's vast experience in the maritime port industry, the management is committed to and confident of securing wide market acceptance for its Web-based application software using the ASP model.

The costs of switching refer to the costs of foregoing existing systems of the customers and the time and costs involved in re-training their personnel to use the new application software. In addition, for new systems, customers have to pay for consultancy and implementation costs. These factors may deter customers from switching to new application software.

Under the ASP business model, the Group's customers will only incur minimal up-front capital expenditure in terms of hardware and software as customers are only liable to the payment of fixed regular ASP subscription fee. The ASP subscription fee will not only cover the cost of leasing hardware, it also covers maintenance and future upgrading costs for the hardware and application software. Moreover, Portrade's application software are designed to be relatively easy to use, hence training and re-training costs are not expected to be substantial.

Given the relatively low cost of implementing the Group's application software using the ASP model, as set out in Section 6.1.3 of this Prospectus, the management is of the opinion that the ASP is a cost-effective way for the small and medium maritime ports to computerise their operations to reap the benefits of improved efficiency and therefore costs of switching will not deter potential customers from switching to the Group's application software. As an indication of the market acceptance of the ASP model, Portrade has secured a contract from Kuching Port Authority to implement and manage port community applications using the ASP business model. Portrade is currently negotiating with other ports to implement the ASP model.

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3.5.2 Computer Viruses, Illegal Access and Fraud may affect Confidence in ASP Services

One of the major concerns for publicly accessible computer networks such as the Internet is the constant threat of computer viruses (malicious computer programmes that could destroy or alter computer data), crackers and hackers (computer programmers who break into public computer system with ill intentions) and electronic fraud. In addition, most companies are concerned of possible breach of confidential databases stored by the ASP as well as, ultimately, the reputation and long term viability of the ASP.

While the above concerns are the inherent nature of the Internet and ASP model, the Group has taken various possible measures to address such concerns, amongst others, the deployment of proven and reliable security software and firewalls to safeguard its database. In addition, the MSC Status and the impending listing of Portrade on the MESDAQ Market will enhance the reputation of Portrade Group as a reliable and responsible ASP.

3.5.3 Disruptions to Services due to Congestion or Unavailability of the Internet Services

Telecommunication infrastructure such as telephone lines and leased circuits forms the backbone infrastructure for the Internet. The availability of these physical infrastructure often dictates the boundaries in which ASP companies operate and compete. Any telecommunication downtime due to infrastructure failure will seriously affect the operation of ASP customers.

The success of the ASP is dependent on the constant availability and quality of the Internet services. While historically there has been no major disruption in Internet service, for example due to infrastructure failure or computer viruses and/ or deterioration in service quality (for example due to congestion), there can be no assurance that with the rapid growth in the Internet usage, service interruption will not occur in the future. Such disruptions may expose the Group to damages claims that could have an adverse impact to the Group. To mitigate this risk, Portrade exercises due care in selecting its business partners to ensure reliability of deliverables. In addition, the Group also aims to set up additional data centre in various countries in the ASEAN. These data centres will serve as backup/ alternatives for the Group's main data centre in Cyberjaya to ensure reliable and timely deliverables to the customers should the services of any of the data centres be disrupted.

3.5.4 Limitation on Product Liability Insurance

The Group's agreements with its customers normally contain provisions designed to limit the Group's exposure to potential product liability claims. The Group has not experienced any product liability claims since it commenced business. It is possible, however, that the limitation of liability provisions contained in the Group's customer agreements may not be effective as a result of future changes in laws or unfavourable judicial decisions. Furthermore, some of the contractual agreements with its customers may be governed by foreign laws and there is no assurance that purported limitation on liability clauses in those agreements can be enforced. Accordingly, the Group may not be adequately indemnified by its insurers should the Group be exposed to product liability claims and this may have adverse effects on the Group's financial positions and reputation.

3.5.5 Product Development Cycle

There may be occasions when the products being developed encounter technological problems that may lengthen the development cycle. This will entail increased cost in development and missing out on marketing opportunities. However, the Group has to-date not experienced this problem because it only uses proven third party products or technology to develop its applications. The Group also source its development technology and tools from established technology vendors who are financially strong and a major player in the IT industry to ensure continued technical support from these vendors.

3. INVESTMENT CONSIDERATIONS (cont'd)

3.5.6 Need to secure critical mass to ensure the success of the e-port community

The success of the Web-portal portrade.com will depend on the ability of Portrade to secure as many port operators, users/ subscribers and partners as possible to facilitate E-commerce and provision of other value added services. The management is committed to making the portal a success through its rapport with port operators in Malaysia. Portrade will also expand its presence to other ASEAN countries through well planned marketing strategies and strategic alliances with local partners to promote the usage of its portal and its long term success. Nevertheless, there is no guarantee that the portal will secure the necessary critical mass to ensure its success.

Save as disclosed in the preceding paragraphs, to the best knowledge of the Directors, the Group is not vulnerable to any other major specific risk factors or events.

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