

### HISTORY AND DEVELOPMENT

#### Development of Genius

In 1991, Tianjin University established the Tiancai Computer Information System Engineering Technology Development Department of Tianjin University (the “Development Department”) (天津大學天財計算機信息系統工程科技開發部), a State-owned enterprise in which Tianjin University has a 100% interest. The Development Department was principally engaged in the development of computer software and network system, information processing systems and microelectronic and photoelectron technology.

On 12th February, 1996, Tianjin University increased its capital contribution to the Development Department from RMB600,000 (approximately \$560,748) to RMB3,150,000 (approximately \$2,943,925) and on 30th January, 1997 from RMB3,150,000 (approximately \$2,943,925) to RMB19,000,000 (approximately \$17,757,009) and the Development Department was renamed Tiancai Information System Engineering Centre of Tianjin University (天津大學天財信息系統工程中心) (the “Tiancai Centre”).

On 29th September, 1997, Genius’ A shares were listed on the Shenzhen Stock Exchange. Pursuant to the reorganisation prior to Genius’ listing, Tiancai University injected, among other things, the data broadcasting business of the Tiancai Centre to Genius and became a shareholder of Genius holding an approximately 45% interest in Genius. The principal businesses of the Genius Group includes the development of computer software and hardware, the integration of information systems, information services, the research and development of the integration of optical and electro-mechanical technology and chemical packaging materials and related production and sales.

#### Development of the Group

The Group emerged from a data broadcasting project team in the Genius Group.

The history of the Group dates back to January 1997 when the Development Department formed a project team (“Data Broadcasting Project Team”) to develop data broadcasting technology using TV signals. Foreseeing a huge market for data broadcasting, the Development Department commenced the development of data broadcasting systems evolved from CCST which was promulgated by the SARFTV in 1993.

In August 1997, the Data Broadcasting Project Team, the predecessor of the Group, successfully developed and commenced production of the PC plug-in boards for VBI data broadcasting, which was capable of receiving both data and Chinese Teletext. In December 1997, the Data Broadcasting Project Team commenced sale of such PC plug-in boards.

In October 1997, the Group entered into a cooperative agreement with Tianjin Cable TV Network for a term of five years to develop distance education services based on VBI data broadcasting technology, pursuant to which the Group provided the transmission modules for VBI data broadcasting and the relevant technical support and Tianjin Cable TV Network provided the necessary channel for VBI data broadcasting. Both parties agreed to share the income derived from data broadcasting subscription.

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In January 1998, the Group started to implement transmission modules for VBI data broadcasting which were then the first locally-developed open data broadcasting system compliant with CCST in the PRC and implemented the VBI data broadcasting system for transmission of financial data on Shandong Satellite TV Network.

Since the number of data broadcasting services subscribers is crucial to the Group's success, it was the Group's strategy to establish relationships with various TV network operators to secure broadcasting networks for future development before the data broadcasting market takes off. Since January 1998, the Group started to establish strategic alliance with TV network operators nationwide in relation to which the Group contributed free transmission modules for VBI data broadcasting and technical support to these TV network operators and assisted them in sourcing information providers, namely real-time stock quotations providers and the TV network operators purchased or procured purchase of PC plug-in boards for VBI data broadcasting from the Group.

In February 1998, the Group teamed up with Tianjin Cable TV Network to develop a distance education system based on FC data broadcasting technology. Such project, comprising, among other things, the development of transmission and reception modules for FC data broadcasting, multimedia data broadcasting transmission platforms, multimedia data broadcasting information terminal software and multimedia data broadcasting information production platforms, was nominated by the Tianjin Municipal Science and Technology Commission (天津市科學技術委員會) as one of the Top Ten Focus Support Projects (十大重點支持項目). The project involved more than 20 engineers, 150 teachers and 40 multimedia production personnel.

In May 1998, the Shenzhen Metal Exchange (深圳金屬交易所) installed the Group's transmission modules for VBI data broadcasting as its financial information transmitter platform. Since then, the Group's transmission modules for VBI data broadcasting were also provided to five other financial information providers free of charge.

According to the cooperative agreement entered into between Genius and Tianjin Cable TV Network on 30th October 1997, the Group implemented the VBI data broadcasting system and the transmission modules on Tianjin Cable TV Network and real-time stock quotation was broadcast in June 1998. The Group shared the income derived from the data broadcasting service subscription with Tianjin Cable TV Network and acquired knowledge and experiences in data broadcasting.

In September 1998, the Group launched its VBI data broadcasting system and VBI distance education system in Tianjin Cable TV Network.

In November 1998, the Group and Tianjin Cable TV Network entered into a new cooperative agreement for a term of five years to develop FC data broadcasting business pursuant to which, among other things, the Group provided the transmission modules for FC data broadcasting, the distance education contents and the relevant technical support while Tianjin Cable TV Network provided the necessary channel and some hardware equipment for FC data broadcasting. Both parties agreed to share the relevant operating and advertising cost and income derived from data broadcasting service subscription.

To prepare for its future expansion, in December 1998, the Group entered into a cooperative agreement with Jiangxi Cable TV Network for a term of five years to develop distance education services based on VBI data broadcasting, pursuant to which the Group contributed free transmission modules for VBI data broadcasting and provided the distance education contents and the relevant

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technical supports and Jiangxi Cable TV Network provided the necessary channel for VBI data broadcasting. Both parties agreed to share the income derived from data broadcasting service subscription.

In addition, in January 1999, the Group entered into a cooperative agreement with Tianjin Dagang Area TV Broadcasting Bureau Cable TV Network (“Dagang Cable TV Network”) for a term of one year to develop distance education services based on VBI data broadcasting, pursuant to which the Group provided the transmission modules for VBI data broadcasting and the relevant technical supports and supplied the distance education contents and Dagang Cable TV Network provided the necessary channel for VBI data broadcasting. Both parties agreed to share the income derived from data broadcasting service subscription.

In February 1999, the Group developed the first FC data broadcasting system and distance education system in the PRC by adopting FC data broadcasting technology.

In March 1999, the Group launched its FC data broadcasting system and FC distance education system at Tianjin Cable TV Network, which then had over 1 million cable TV subscribers. The Group’s FC data broadcasting PC plug-in boards, which are capable of receiving both FC and VBI data, were also marketed at the same time.

On 18th June, 1999, with a view to rewarding and motivating the Group’s research and development professionals and other key personnel pursuing the data broadcasting business, Genius and Verified Solutions established Tiancai Network, a Sino-foreign cooperative joint venture enterprise registered in Tianjin, the PRC. Its term of operation is 15 years commencing from 18th June, 1999, with a total investment and fully paid-up registered capital of US\$200,000 (about \$1,548,000), contributed as to US\$140,000 (about \$1,083,600) by Verified Solutions in cash and as to the remaining US\$60,000 (about \$464,400) by Genius by way of injection of its proprietary technology and know-how, namely the FC data broadcasting technology, which evolves from and by nature, comprises the VBI data broadcasting technology, together with data broadcasting business and the assets and liabilities thereof. The investment of Verified Solutions in Tiancai Network was funded from its internal resources, which comprised equity owned by Professor Kou. In relation to the injection of data broadcasting business into Tiancai Network, Genius has novated to Tiancai Network all the rights and responsibilities under the cooperative agreements which were entered into between the Genius Group and various TV network operators for the data broadcasting business existing prior to the establishment of Tiancai Network. Prior to the corporate reorganisation of the Group in preparation for the listing of the Shares on GEM, Verified Solutions was an investment holding company wholly owned by Professor Kou, who subsequently transferred all his interests in Verified Solutions to Ultra Challenge, details of which are described in the paragraph headed “Corporate reorganisation” in Appendix IV to this prospectus. Genius and Verified Solutions agreed to share the profit and bear the loss of Tiancai Network in accordance with their respective interest in Tiancai Network. At present, the board of directors of Tiancai Network consists of three directors. Verified Solution and Genius are entitled to appoint two and one directors of Tiancai Network respectively.

In July 1999, the Group established strategic alliance with the China Computerworld Publishing and Servicing Company, a computer newspaper publisher, for sourcing of contents. In the same month the Group’s FC data broadcasting system and FC distance education system passed the examination of the Tianjin Municipal Science and Technology Commission and were accredited as at PRC’s leading level.

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Having acquired the relevant experiences in strategic alliance with TV network operators, the Group started to speed up its expansion plan to share income derived from data broadcasting service subscription with TV network operators. During the period from September 1999 to the Latest Practicable Date, the Group entered into cooperative agreements with 11 TV network operators in the PRC for a term ranging from one to ten years to develop VBI and/or FC data broadcasting business, whereby the Group provided the transmission modules for VBI and/or FC data broadcasting, the materials and programmes for data broadcasting and the relevant technical supports, and the TV network operators provided the necessary channels for VBI and/or FC data broadcasting. Such cooperative agreements normally include provisions restricting both parties from entering into similar cooperative arrangements with other third parties within the relevant region. The Group and such TV network operators agreed to share the income derived from the data broadcasting subscription fees at an agreed ratio ranging from 40% to 60% or agreed amount. Of these 11 TV network operators, 8 had previously established strategic alliance with the Group and the remaining ones were newly allied with the Group. As at the Latest Practicable Date, the Group has established strategic alliance with a total of 103 TV network operators including 14 TV network operators which have entered into cooperative agreements with the Group for sharing of income derived from data broadcasting services subscription.

In October 1999, the Group debuted the prototype of the multimedia TV set top box in the China Hi-Tech Fair (“國際高新科技成果展覽會”) held in Shenzhen.

In November 1999, Tiancai Network was invited by the Broadcasting Technology Research Institute of SARFTV to join the drafting committee for the standardisation of VBI data broadcasting in the PRC. Members of the drafting committee will also form a data broadcasting alliance to assist the setting and implementation of industry standards, make suggestions for and assist administrative authorities to implement the industry rules and regulations.

On 11th January, 2000, the Group completed its corporate reorganisation in preparation for the listing of the Shares on GEM. After the reorganisation, the Company became the holding company of the Group. Details of the corporate reorganisation are set out in the paragraph headed “Corporate reorganisation” in Appendix IV to this prospectus.