HISTORY AND DEVELOPMENT

Background

The Group was founded by Mr. Yu Hang Chung, Herman in April 1997 to engage in the provision of e-Business solutions which mainly included the design and implementation of Intranet system and portal development. The Company was incorporated on 23rd July, 1999. The results of the subsidiaries of the Company acquired or disposed of during the track record period are consolidated with that of the Company from the effective date of the acquisition or disposal. Accordingly, the track record period of the Group commences on 23rd July, 1999.

During the initial period of its operation, the Group focused mainly on the design and development of Intranet system and website development for the public sector and other business entities. Despite its then relatively short history, the Group obtained a contract from an authority in Hong Kong responsible for monetary and financial affairs for the implementation of an Intranet system in December 1997.

In October 1998, the Group developed and implemented its first e-Education platform, eCampus 1.0, a school Intranet system that supports internal school communications, resources sharing and information dissemination for an IT pilot school in Hong Kong.

1999

e-Business solutions

During the year, the Group completed 19 project-based Internet platform solutions. These projects included the portal development for Star East I.T. Management Limited which won the Creative Award of the eLeisure category in the eAward competition organised by the Hong Kong Productivity Council.

The Group commenced the development of portals for a number of business enterprises in 1999 including the Hong Kong Council of Social Services. Using its own "content management system" based on the Microsoft active server page, the Group also designed and developed an Internet platform and Intranet system for a corporation in the finance sector and a website for Hantec Holdings Limited in March 1999 and December 1999 respectively.

In late 1999, the Group applied an advanced Java technology (servlet version 2.0) and XML language to develop large scale portals such as hkevents.net and the e-library system of the Open University of Hong Kong Library. The Directors believe that the Group was one of the earliest movers to implement such technologies for portal development in Hong Kong.

e-Education solutions

During the year, the Group implemented its e-Education platform for 22 primary and secondary schools and other educational institutions in Hong Kong. During the period from 23rd July, 1999 to 31st December 1999, sales of e-Education were generated by Codebank IMA Limited. Since the acquisition of Codebank IMA Limited by the Company took place in January 2000, the audited accounts of the Company did not include the sales figure in the 1999 period.

In February 1999, the Group designed, developed and implemented the official website and information kiosk of the first Quality Education Fund Projects Expo 1999.

In April 1999, the Group, in collaboration with the Chinese University of Hong Kong, developed a Hong Kong-PRC online learning platform, "Edupark" to foster the sharing of educational resources among selected schools in Hong Kong and the PRC. "Edupark" is an Extranet model of eCampus that links together Shatin Government Secondary School, Shun Lee Catholic Secondary School, St. Stephen's Girls College, Carmel Secondary School and 深圳外語中學 (Shenzhen Foreign Language School).

In July 1999, the Group launched eCampus 2000 in Hong Kong. eCampus 2000 is a template-based system which supports resources sharing in an Intranet, Extranet and Internet environment.

2000

e-Business solutions

During the year, the Group completed 37 project-based e-Business solutions. It developed a B2B platform for Nike that supports exchange of information between Nike and its business partners. In 2000, the e-Business solution developed by the Group for hkevents.com Limited won the Platinum award of the eLeisure category in the eAward competition organised by the Hong Kong Productivity Council. The solution integrates a content management system with a complex, inter-related database architecture that provides access to information on shops, restaurants, parking areas, tourist attractions and cinemas in the vicinity of the event's venue and support for both B2B and B2C transactions.

The Group started to apply its project implementation experience to modulate products for general application and industry specific market. By the end of 2000, the Group had completed the development of two web-based products, including webproject and webuilder, which were subsequently launched in the first quarter of 2001. Webproject is a web-based application designed for project management while webuilder is designed to equip users with the necessary tools to build and maintain their own website.

e-Education solutions

The Group continued to leverage on its proprietary technology and industry knowhow to build up its profile in the e-Business solutions and e-Education solutions industry.

In January 2000, the Group co-operated with the Education Department of Hong Kong for the provision of personal web-based e-mail to schools in Hong Kong. Approximately 680 primary schools and secondary schools adopted the web-based e-mail services provided by the Group.

The year also marked the Group's entry into the PRC market. The Group's offices in the PRC were initially set up to develop and market the Group's e-Education solutions in the PRC as the Directors consider that there are tremendous business opportunities in the PRC given the official endorsement to implement IT in education. In November 2000, the Group established an office in Shanghai to develop and market the Group's e-Education solutions. The Group's office in Shanghai currently employs 7 staff.

In June 2000, the Group developed the "Technical Support Services" website for Compaq which was appointed by the Education Department of Hong Kong as one of the technical support services providers for schools in Hong Kong. In the same month, the e-library system redesigned jointly by the Group and an independent third party for the Open University of Hong Kong Library, received an international acclaim, "The Stockholm Challenge Award", a renowned award for pioneering IT projects worldwide.

In September 2000, Openday.com was officially launched.

The Group revamped the website of the Education Department of Hong Kong which was launched in December 2000.

Multiple access platform

Since May 2000, the Group commenced the design, development and implementation of voice and wireless Internet enabling solutions, converging voice, wireless and Internet technologies. The first contract signed by the Group in relation to the multiple access platform was entered into between MAP and EDKO Films Limited in October 2000 in respect of the development of the MAP-Village for EDKO Films Limited. The Group completed the development of an application service platform, the MAP-Village, that offers multiple access channel for wireless and voice devices in October 2000.

In November 2000, an agreement was entered into between MAP and EDKO Films Limited for the development of the phone ticketing system. The WAP and PDA ticketing system developed for EDKO Films Limited was launched in December 2000. The basic version of the voice portal of MAP-Village was also launched in December 2000.

2001

e-Business solutions

During the period from 1st January, 2001 to the Latest Practicable Date, the Group completed 23 project-based e-Business solutions.

In February 2001, the Group commenced the development of webchannel which is designed to provide an online three-way communication channel between user companies and their buyers and suppliers to facilitate business operations and logistic management.

In May 2001, the Group completed the development of a web-based automated valuation system for an international firm of property valuers in Hong Kong.

In order to expand the distribution network for its e-Business products, the Group entered into a memorandum of understanding with a global leading computer and network products provider and an agreement with Diyixian respectively in February 2001 pursuant to which, the computer and network products provider agreed to undertake joint marketing promotions and Diyixian agreed to provide dedicated server hosting services for the Group's clients. It is expected that the Group will enter into a formal agreement with the computer and network products provider in the first quarter of 2002.

e-Education solutions

During the period from 1st January, 2001 to the Latest Practicable Date, the Group implemented 19 e-Education solutions in Hong Kong.

In January 2001, the Group appointed an independent exclusive distributor of its e-Education solutions in Hebei, the PRC, for a term of not less than five years.

In March 2001, the Group established an office in Beijing to market the Group's e-Education solutions.

In April 2001, the Group entered into a cooperative agreement with Great Wall, pursuant to which the Group was appointed by Great Wall as an exclusive supplier of e-Education platform and other e-Education solutions and related products in the PRC for a term of three years. Great Wall has entered into agreements with various PRC educational authorities to carry out the Great Wall Education Internet Project（長城網絡教育工程）under which e-Education solutions will be provided to primary and secondary schools in a number of cities in the PRC such as Chengdu city and Jiaozuo city.

To complement the launch of the OpenCampus in the PRC, in April 2001, the Group entered into an agreement with Aionnet and One Trend Net Holdings Limited pursuant to which Aionnet has agreed to procure network service provider(s) in the PRC to install and implement a private

network system covering 53 cities in the PRC comprising the use of a broadband backbone network of a bandwidth of up to 465 Mbps. On 29th November, 2001, the Group entered into a deed with, among other parties, Aionnet, One Trend Net Holdings Limited and Gainson Limited to amend, inter alia, the term of the procurement of bandwidth from 20 years to 9 years and to reduce the bandwidth from 465 Mbps to 195 Mbps from the third year onwards. Under the new arrangement, the Group will continue to be able to install and implement an extensive private network platform covering 53 cities in the PRC through Aionnet's broadband procurement services.

Multiple access platform

The Group made significant developments with its multiple access platform in 2001 in respect of both product development and sales. The Group's revenue for its multiple access platform also increased significantly during 2001. The Group developed three multiple access platform solutions during the period from 1st January, 2001 to the Latest Practicable Date.

In February 2001, the Group entered into a Mobile Business Teaming Agreement with Compaq, an Independent Third Party, whereby the Group agreed to collaborate with Compaq in various mobile business opportunities in Hong Kong.

In June 2001, the Group entered into an agreement with eolasia.com Limited, a music entertainment company. Under the agreement, the Group agreed to provide technical support for the installation and implementation of software applications and system maintenance for the telephone network music station of eolasia.com Limited in Hong Kong. The Group has received revenue sharing income from the ring-tone downloads through this platform since August 2001. The Group, through the development of the telephone network music station, has connected with the short message service gateway of five major mobile carriers in Hong Kong.

ACTIVE BUSINESS PURSUITS

The following sets out a detailed description of the active business pursuits undertaken by the Group for the period from 23rd July, 1999 (being the date of incorporation of the Company) to 31st December, 1999, the period from 1st January, 2000 to 31st December, 2000, and the period from 1st January, 2001 to the Latest Practicable Date.

Period I – Period from 23rd July, 1999 to 31st December, 1999

Turnover

For the period from 23rd July, 1999 to 31st December, 1999, the total turnover of the Group was approximately HK$1.38 million, all of which was derived from the provision of e-Business solutions.

Key projects and product development

e-Education

•   established an Extranet system "Edupark" for the Chinese University of Hong Kong Library, used as a communication tool and resources sharing, linking together Shatin Government Secondary School, Shun Lee Catholic Secondary School, St. Stephen's Girls College, Carmel Secondary School and 深圳外語中學 (Shenzhen Foreign Language School)

•   re-designed the e-library system for the Open University of Hong Kong Library jointly by the Group with an Independent Third Party in September 1999

•   designed and developed e-Education solutions for 22 primary schools, secondary schools and other educational institutions in Hong Kong

e-Business solutions

Client name	Date of commencement of the project	Project description/ features
Star East I.T. Management Limited	October 1999	developed a portal, www.stareastnet.com which was the winner of the Creative award of the eLeisure category in the eAward competition organised by the Hong Kong Productivity Council
hkevents.com Limited	November 1999	develop the website, *www.hkevents.net*, using the Java technology (servlet version 2.0)
Hantec Holdings Limited	December 1999	designed and developed the website, *www.hantec.com.hk*, using the Group's own "content management system"

Sales and marketing

- sponsored Hong Kong Council of Social Service in March 1999 for the development of its website, employnet.socialnet.org.hk

- focused on direct sales and channel sales

- participated in the Innovation 2000 Expo in November 1999 to promote the Group's e-Business solutions

- sponsored the first Quality Education Fund Projects Expo 1999 for the design, development and implementation of its official website and information kiosk

Deployment of human resources

The Group employed a total of 32 full time employees, classified as follows:

	Hong Kong
Management	4
Research and product development	25
Sales and marketing	1
Finance and administration	2
Total	32

Period II – Period from 1st January, 2000 to 31st December, 2000

Turnover

For the year ended 31st December, 2000, the total turnover of the Group was approximately HK$8.97 million, of which approximately HK$2.15 million, representing approximately 23.91% of the total turnover of the Group was derived from the e-Education solutions, approximately HK$6.03 million, representing approximately 67.26% of the total turnover of the Group was derived from the provision of e-Business solutions, and approximately HK$0.79 million, representing approximately 8.83% of the total turnover of the Group was derived from the provision of multiple access platform.

Key projects and product development

e-Education

•   cooperated with the Education Department of Hong Kong in January 2000 for the provision of the personalised web-based e-mail system to approximately 680 schools in Hong Kong

•   officially launched the eCampus Library system in March 2000

•   the e-library system of the Open University of Hong Kong Library was awarded "The Stockholm Challenge Award" in the Education category, a renowned award for pioneering IT projects worldwide, in June 2000

•   designed the website for Compaq's "Technical Support Services", a project aimed to enhance efficiency in IT educational developments in Hong Kong to render technical support to schools

•   revamped the official website of the Education Department of Hong Kong which was launched in December 2000

•   launched Openday.com, a bilingual teaching and learning enabling platform of the Group, in September 2000

•   entered into agreements with 哈爾濱工業大學威海分校 (Weihai Campus of Harbin Institute of Technology) pursuant to which the Group commenced the implementation of a distance learning platform for Harbin Institute of Technology connecting one main teaching school and four branch schools in the Shandong province, the PRC

•   COL offered a one-stop e-mail service to eCampus users in October 2000.

e-Business solutions

Client name	Date of commencement of the project	Project description/ features
Commerce and Industry Bureau	May 2000	developed the website, *www.info.gov.hk/cib*
Breakthrough Organisation	May 2000	designed and developed the website, *www.uzone21.com*
ExpertHUB Limited	June 2000	designed and developed an Internet platform and the company's website
Adforce Asia Limited	July 2000	developed the website, *www.adforce-asia.com*
Lane Crawford	July 2000	developed a portal and e-commerce platform which was integrated with a shopping engine using FLASH, the website, *www.lanecrawford.com* and the web-based movie advertisement
SFC	September 2000	developed the website, *www.hksfc.org.hk*
Lee Kum Kee	October 2000	revamped the client's existing website, *www.lkk.com*
Jones Lang LaSalle	October 2000	developed a web-based automatic valuation system which was a B2B portal
Nike	November 2000	developed a B2B platform on Nike's existing website, which facilitated exchange of information between Nike and its business partners
an authority in Hong Kong responsible for monetary and financial affairs	November 2000	developed a multiactive training solution

Multiple access platform

•   commenced the design, development and implementation of voice and wireless Internet enabling solutions converging voice, wireless and Internet technologies since May 2000

•   completed the first prototype of multiple access platform in October 2000 and continued to modify the prototype to meet the client's requirements

•   developed the unified messaging system in October 2000

•   developed the real-time grabbing and transcoding engine in October 2000

•   launched the basic version of the voice portal platform of MAP-Village in December 2000

Sales and marketing

- sponsored the following functions during the year ended 31st December, 2000:

Date and location	Name of exhibition/seminar
July 2000, Hong Kong	Hong Kong Special Administrative Region (HKSAR) Outstanding Students Selection 2000
October 2000, Hong Kong	43rd Jamboree-On-The-Air cum 4th Jamboree-On-The-Internet

- sponsored and participated in the following exhibitions and seminars during the year ended 31st December, 2000:

March 2000, Hong Kong	Information and Infrastructure Expo & Conference 2000
March 2000, Hong Kong	Libraries for the New Millennium Exhibition
April 2000, Hong Kong	The Second Quality Education Fund Projects Expo 2000
May 2000, Hong Kong	The 16th International Computer Expo

- participated in the following exhibitions and seminars during the year ended 31st December, 2000:

April 2000, Beijing, the PRC	China Education and Research Conference 2000
July 2000, Hong Kong	Internet Commerce Expo (ICE) and Conference
August 2000, Shenzhen, the PRC	International Websites Expo
October 2000, Dalian, the PRC	The Equipment and Facilities Trade Show for High School in Autumn 2000
November 2000, Hong Kong	Millennium IT in Education Exhibition（千禧資訊科技教育展）
November 2000, Hong Kong	Internet World Asia @ Hong Kong Expo 2000

- organised and participated in a seminar on school-based Internet platforms in Hong Kong in June 2000

Alliances and collaborations

- appointed by Compaq to launch *www.tss4hkschools.com*, the technical support services website in June 2000

- entered into an agreement with 哈爾濱工業大學威海分校 (Weihai Campus of Harbin Institute of Technology) in the PRC on 26th September 2000 pursuant to which the Group will be responsible for implementing a distance learning platform. Pursuant to the agreement, the Group had agreed to provide distance learning platform and related software products to 哈爾濱工業大學威海分校 (Weihai Campus of Harbin Institute of Technology) for its use.

- entered into an agreement with Nuance on 15th September 2000 whereby the Group has been granted a non-exclusive license to apply certain of Nuance's softwares in respect of speech recognition and the documentation pertaining to the use of the softwares. Pursuant to the agreement, the Group is required to pay software license fees, technical support fees and professional services fees to Nuance as and when services are provided to the Group.

Deployment of human resources

The Group employed a total of 82 full time employees, classified as follows:

	Hong Kong	PRC
Management	4	2
Research and product development	50	8
Sales and marketing	8	3
Finance and administration	5	2
Total	67	15

Period III – 1st January, 2001 to the Latest Practicable Date

Turnover

From 1st January, 2001 to 30th September, 2001, the total turnover of the Group was approximately HK$8.16 million, of which HK$1.15 million, representing approximately 14.13% of the total turnover of the Group was derived from the e-Education business, approximately HK$3.55 million, representing approximately 43.49% of the total turnover of the Group was derived from the provision of e-Business solutions, and approximately HK$3.46 million, representing approximately 42.38% of the total turnover of the Group was derived from the provision of multiple access platform.

Key projects and product achievements

e-Education

•   developed a website on the Openday.com for The Chinese University of Hong Kong School Heads Alumni Association.

•   commenced the development of a distance learning platform for the Weihai Campus of Harbin Institute of Technology in the PRC connecting one main teaching school and four branch schools in the Shandong province, the PRC.

e-Business solutions

Client name	Date of commencement of the project	Project description/ features
IDT	March 2001	designed and developed a multi-language Internet platform which includes product catalogue, customer support and survey functions and a discussion form, integrated with a content management system which allows IDT to update its own content
Commerce & Industry Bureau	May 2001	revamped the website, *www.info.gov.hk/cib* (English and Chinese version)
China World Trade Corporation	October 2001	commenced the development of a B2B portal site which will include an online trading platform, a search engine and an investment corner containing information on companies which enable such companies to update their own profile and content on the portal

Multiple access platform

• developed the phone ticketing system

• developed a telephone network music station

• developed payment gateway solutions

Sales and marketing

• participated in the following exhibitions for the period from 1st January, 2001 to the Latest Practicable Date:

Date and location	Name of exhibition/seminar
January 2001, Hong Kong	iDEA Expo 2001
March 2001, Hong Kong	Compaq mCommerce Solutions Centre launch event

Alliances

• entered into an agreement ("Procurement Agreement") on 11th April 2001 with Aionnet and One Trend Net Holdings Limited, pursuant to which Aionnet has agreed to procure network service provider(s) in the PRC to install and implement a private network system covering 53 cities in the PRC using a broadband backbone network of a bandwidth of up to 465 Mbps for a period of 20 years, commencing from 11th April, 2001.

• entered into a deed with, among other parties, Aionnet, One Trend Net Holdings Limited and Gainson Limited on 29th November 2001 to amend, inter alia, the term of the procurement of bandwidth from 20 years to 9 years commencing from 11th April, 2001 and to reduce the bandwidth from 465 Mbps to 195 Mbps from the third year onwards under the Procurement Agreement. Under the new arrangement, an extensive private network platform covering 53 cities in the PRC will still be made available to the Group through Aionnet's broadband procurement services. The Group has not yet utilised the broadband procurement services at the present stage.

• entered into a "Mobile Business Teaming Agreement" with Compaq, an Independent Third Party, in February 2001 whereby the Group agreed to collaborate with Compaq in various mobile business opportunities in Hong Kong. Pursuant to the agreement, the Group has also agreed to make its application software available at Compaq hardware platforms and to assist it in the promotion of Compaq hardware.

• entered into an agreement with eolasia.com Limited, an Independent Third Party, on 28th June 2001, pursuant to which the Group has agreed to grant a non-exclusive and non-transferable licence for the use of the Group's software to eolasia.com Limited for the provision of multiple access telephone service providing various music related functions to web surfers, PDA users, mobile phone and fixed phone users in Hong Kong and other territories notified by eolasia.com Limited. The Group is entitled to the gross revenue of eolasia.com Limited derived from the use of the software by its customer.

• entered into a co-operative agreement with Great Wall on 20th April, 2000, whereby the Group was appointed by Great Wall as an exclusive supplier of e-Education platform and other e-Education solutions and related products in the PRC for a term of three years. Great

Wall has entered into agreements with various PRC educational authorities to carry out the Great Wall Education Network Project（長城網絡教育工程）under which e-Education solutions will be provided to primary and secondary schools in a number of cities in the PRC such as Chengdu city and Jiaozuo city.

• entered into a memorandum of understanding on 23rd February, 2001 with IBM and an agreement with Diyixian on 22nd February, 2001 respectively, both being Independent Third Parties, in February 2001 pursuant to which a global leading computer and network products provider has agreed to provide the Group with at least one free seminar slot in the customer centre of the computer and network products provider and web selling facilities to promote the Group's solutions at the website of the computer and network products provider. The Group is required to organise at least one seminar in 2001 and bundle offer with hardware products of the computer and network products provider. Pursuant to the agreement. Diyixian has agreed to provide dedicated server hosting services to the Group's clients.

Deployment of human resources

The Group employed a total of 44 full time employees, classified as follows:

	Hong Kong	PRC
Management	5	2
Research and product development	18	6
Sales and marketing	1	2
Finance and administration	5	5
Total	29	15