
BUSINESS

DESCRIPTION OF BUSINESS

Introduction

The Directors believe that the Group is one of the leading Internet technology and platform providers in Hong Kong. The core business of the Group is the provision of Internet platform and enabling technologies. The Group is principally engaged in the design, development and implementation of Internet solutions to enable business entities, institutions and organisations to integrate Internet technologies in their daily operations. The Group develops and implements enabling technologies and products with a focus on three areas, namely, e-Education solutions, e-Business solutions and multiple access platform.

Set out below is the breakdown of the Group's turnover by business activities for the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001:

	Period from 23rd July, 1999 to 31st December, 1999 <i>HK\$'000</i>	Year ended 31st December, 2000 <i>HK\$'000</i>	Nine months ended 30th September, 2001 <i>HK\$'000</i>
e-Education solutions	–	2,144	1,153
e-Business solutions	1,375	6,031	3,550
Multiple access platform	–	792	3,459
Total:	<u>1,375</u>	<u>8,967</u>	<u>8,162</u>

For the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001, the Group's five largest customers in aggregate accounted for approximately 100.00%, 52.00% and 60.45% respectively of the total turnover of the Group. For the same period, turnover attributable to the largest customer accounted for approximately 70.92%, 17.28% and 24.50% respectively of the total turnover of the Group.

For the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001, the Group's five largest suppliers in aggregate accounted for approximately nil, 27.49% and 33.01% respectively of the total turnover of the Group. For the same period, purchases from the Group's largest supplier accounted for approximately nil, 8.14% and 13.15% respectively of the total cost of sales of the Group.

e-Education solutions

Pioneering status in Hong Kong

The Group is one of the pioneers in the development and provision of e-Education solutions, including e-Education platform and e-Education related e-mail services in Hong Kong. The Group's product development focus in e-Education is to implement advanced technologies and products to bring about interactive learning and effective administration in school education. Its e-Education platform can broadly be categorised into (i) the ASP model, where the server and database of a school are hosted in a data hosting centre, an Independent Third Party designated by the Group; and (ii) the school-based model, where the database of a school is hosted in the local server installed at the school. The Group developed and implemented its first e-Education platform in October 1998. There are about 780 primary schools, secondary schools and other education institutions using the Group's e-Education solutions in Hong Kong.

BUSINESS

The Group launched its first e-Education solution, eCampus, which the Directors believe is also one of the first of its kind to be marketed in Hong Kong in 1998. eCampus (1998 version) is a school-based e-Education platform which supports communication, resources sharing and information dissemination in an Intranet and Internet environment designed for schools. The configuration of the eCampus platform allows efficient data input, editing, management, dissemination, storage and retrieval.

The e-library system redesigned jointly by the Group with 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 year 2000. Leveraging on the experience and expertise built up in the development of the e-library system for the Open University of Hong Kong Library, the Group developed the eCampus Library, a web-based platform integrated with powerful bilingual search engines which support search by titles, bibliographical details and full-text in both English and Chinese languages and is designed to provide enhanced library services and resources sharing among higher education institutions in Hong Kong and overseas. The system allows real-time Internet access to the school library and supports a broad range of library administrative functions such as online reservation, user administration and library resources categorisation. In April 2001, the Group was commissioned by the University of Hong Kong Libraries to revamp its existing electronic library system.

The Group also provides other professional services including distance learning solutions and project consultation for schools and other educational institutions. The distance learning solutions include the development of the platform which supports distance learning, such as the one developed for the Harbin Institute of Technology, Weihai Campus which connects one main teaching school and four branch schools in Shandong province, the PRC. The project consultancy services include, among others, the design and reconfiguration of websites for schools and education institutes, such as the website for Compaq’s “Technical Support Services” and the revamping of the website for the Education Department of Hong Kong.

e-Education solutions for the PRC market

Leveraging on the Group’s proprietary technology in the implementation of eCampus, the Group is currently developing OpenCampus, a cross-platform system. OpenCampus is an ASP-based school Intranet platform that supports various features of information management, communication, resources sharing and school administration functions.

In April 2000, the Group entered into a co-operative 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 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. The Group has also entered into a cooperative contract with 重慶市渝北區電化教育中心 (Chongqing Yubei District Electronic Education Centre) to provide e-Education solutions to primary and secondary schools in the Yubei district in Chongqing. The Directors believe that the cooperation with the PRC-based hardware vendors, distributors and education authorities in various regions in the PRC will facilitate the implementation of OpenCampus and other e-Education solutions of the Group in the PRC and increase the Group’s competitive edge in the PRC market for e-Education.

Openday.com – the e-Education portal

Openday.com is an ambitious project conceived by the Group to create a massive education hub by capturing the perceived exponential growth in e-learning. The Openday.com platform, launched in September 2000, provides users with educational content on a broad range of disciplines

and curriculums from content providers such as publishers, courseware providers and Internet educational content providers. It is also integrated with tools for users to create educational websites and powerful search engines that facilitate the search of other education resources. The Group intends to leverage on the market penetration of its eCampus and OpenCampus solutions to build up a substantial user base for Openday.com. Openday.com and the Group's e-Education platforms are independent platforms but will be interlinked with Openday.com serving as a gateway to these e-Education platforms. The Directors plan to introduce Openday.com as value-added services to the users of the Group's e-Education solutions. The Directors expect that the accumulation of a significant user base for Openday.com will create potential e-Commerce business opportunities for the Group.

Revenue basis

For the period from 23rd July, 1999 to 31st December, 1999, no revenue was recorded for the Group's e-Education solutions. For the year ended 31st December, 2000 and the nine months ended 30th September, 2001, approximately HK\$2.15 million and HK\$1.15 million, representing approximately 23.91% and 14.13%, respectively of the revenue of the Group, were attributable to the sales of e-Education solutions. For the same period, gross profit of the Group, attributable to its e-Education solutions amounted to approximately HK\$1.44 million and HK\$0.27 million respectively. The Directors anticipate that with the implementation of its OpenCampus and other new e-Education solutions, the Group will receive a greater proportion of recurring revenue in the form of platform leasing, maintenance fees and content licensing.

e-Business solutions

Introduction

The e-Business solutions arm of the Group specialises in the development and implementation of solutions and products to enable its clients to revolutionise their business operations using Internet enabling technologies. The Group commenced the development of its e-Business solutions in April 1997. It is one of the leading e-Business solutions providers in Hong Kong and has implemented many tailor-made solutions in Hong Kong by applying various Internet enabling technologies. Its clients include governmental departments, statutory bodies, business organisations and entities in different industries including finance, property valuation, retail, manufacturing, entertainment and information technology.

e-Business integration and professional services

The Group provides e-Business integration and other related professional services. The Directors believe that the Group is one of the pioneers in Hong Kong in applying Java and other technologies in developing user interface and applications for all kinds of Internet based system. The Group builds on its expertise in e-Business system design to implement solutions addressing all elements of e-Commerce such as B2B and B2C to facilitate the handling of business operations such as sales transaction, order processing and transaction settlement through the Internet. The Group's e-Business solutions support applications on the Internet and Intranet.

In 2000, the e-Business solution developed by the Group for hkevents.net 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 also provides professional and consultancy services to clients on e-Business development system architecture design, project implementation and technological integration with core business practices.

BUSINESS

e-Business products

The Group applies its technological knowhow and cross industry expertise in project implementation to modulate off-the-shelf products for general application and industry specific markets. The Directors believe that the Group is one of the few e-Business solutions providers in Hong Kong that possesses such product development capability. The Group has developed three e-Business products, namely, webproject, webbuilder and webchannel, targeted mainly at corporate entities and professional firms.

Webproject is a web-based application designed for project management with reference to the project management standards prescribed by PMI. Webproject version 1.0 was launched in March 2001 and provides tools for users to create their project system and manage the timeline and status of the tasks assigned for each project through the Internet in a user friendly and efficient manner. The product is targeted at corporate entities and professional firms.

Webbuilder was modulated from the Internet system development projects implemented by the Group for numerous clients, including the Hong Kong Council of Social Services, Lane Crawford and Lee Kum Kee. Webbuilder is designed to equip users with the necessary tools to build and maintain their own website with features such as password-protected content, administration functions, product catalogue and enquiry and online approval system. Webbuilder version 1.0 was launched in March 2001. The ease of use of webbuilder and its relatively lower costs as compared to general project development costs enable websites to be created and managed by personnel without formal IT training. The Directors anticipate that there will be growing demand from small and medium-sized enterprises for webbuilder. The Group has developed a customised version of webbuilder targeted at companies listed on the Main Board or GEM of the Stock Exchange.

Another major product in the development pipeline is webchannel which is modulated from the e-Business project developed by the Group for Nike. It 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. Webchannel allows companies to designate unique content and user right to each user group so that users can access and update information specific to the assigned group. The Directors anticipate that webchannel will be launched by the second quarter of 2002.

These e-Business products developed by the Group can either be sold as off-the-shelf products with dedicated server hosting or by way of the ASP model. The Group has entered into a memorandum of understanding with a global leading computer and network products provider to provide free seminar slots, web selling facilities and marketing funds to the Group in respect of its software products under their joint marketing arrangements.

Revenue basis

For the period from 23rd July, 1999 to 31st December, 1999, substantially all revenue of the Group of approximately HK\$1.38 million was attributable to the provision of e-Business solutions and was derived from e-Business integration and other related professional services. For the year ended 31st December, 2000 and the nine months ended 30th September, 2001, approximately HK\$6.03 million and approximately HK\$3.55 million, representing approximately 67.26% and 43.49% respectively of the revenue of the Group, were attributable to the sales of e-Business solutions. For the same period, gross profit of the Group attributable to its e-Business solutions amounted to approximately HK\$3.63 million and HK\$1.80 million respectively. The Directors anticipate that the sales of the Group's e-Business products will account for an increasing proportion of the Group's turnover in the future.

Multiple access platform

In view of the growing emergence of alternative devices for Internet access, the Group first contemplated the development of the multiple access platform in the first quarter of 2000. The Directors consider that the Group's development of the multiple access platform forms part of its core business of the provision of Internet platform and Internet enabling technologies.

Since May 2000, the Group has committed resources in the design, development and implementation of voice and wireless Internet enabling solutions, converging voice, wireless and Internet technologies. In September 2000, Mr. Lo Hoi Keung joined the Group as the chief executive officer and chief technology officer of MAP to engage in the development of the multiple access platform.

Currently, only a limited number of websites are compatible with mobile and other wireless access devices. In October 2000, the Group completed the development of an application service platform, the MAP-Village, that offers multiple access channel for wireless and voice devices, including mobile phones, fixed line phones, PDA and other WAP-enabled devices to be connected to Internet, Intranet and Extranet systems. The MAP-Village is integrated with speech recognition, text-to-speech and other dynamic Internet content transforming technologies that supports the receipt of different content formats, including WML, XML, VoiceXML and their delivery on multiple devices. The Directors believe that the Group is one of the few Internet technology and platform providers in Hong Kong that has developed a multiple access platform integrated with speech recognition and text-to-speech functions in English, Mandarin and Cantonese.

The proliferation of wireless phones and other WAP-enabled devices provide a powerful means to connecting businesses with their business partners and customers without the constraints of time and location. There is a growing trend for business entities to provide an increasingly mobile population of business partners, employees and customers with enhanced commerce and communication capabilities over the telephone and other wireless devices. Currently, the MAP-Village is mainly targeted at business entities with Internet, Intranet and Extranet systems. The Directors believe that the voice and wireless user interface provided by MAP-Village is convenient for the delivery of information and services and therefore will attract significant business opportunities. Customers of MAP-Village currently include companies in the entertainment and information technology sectors.

In addition to the provision of MAP-Village, the Group also develops and implements solutions that allow its clients to integrate the latest voice and wireless technologies into their business operations. The voice and wireless technologies developed for the MAP-Village can be utilised in the e-Education solutions as well as the e-Business solutions offered by the Group. For example, the ticket-purchasing system developed for EDKO Films Limited, an e-Business solution developed by the Group is integrated with the Group's voice and wireless technologies developed for the MAP-Village that supports ticket reservation through mobile phones, fixed-line phones and PDAs. The Group has also developed a telephone network music station which allows access to music-related materials through the Internet, mobile phones, fixed-line phones and PDAs. Other professional services offered by the Group include system design on customised voice and wireless applications, unified messaging systems and other value-added services for the telecommunications industry.

Revenue basis

For the period from 23rd July, 1999 to 31st December, 1999, no revenue was recorded for the Group's multiple access platform. For the year ended 31st December, 2000 and the nine months ended 30th September, 2001, approximately HK\$0.79 million and HK\$3.46 million respectively, representing approximately 8.83% and 42.38% of the revenue of the Group were attributable to the sale of multiple access platform respectively. For the same period, gross profit of the Group attributable to the multiple access platform amounted to approximately HK\$0.46

BUSINESS

million and HK\$0.92 million respectively. The Directors anticipate that with the rising popularity of voice and wireless Internet enabling solutions, the Group will receive increasing revenue from the sale of MAP-Village and other voice and wireless Internet enabling solutions.

STRENGTHS OF THE GROUP

The Directors believe that the Group possesses the following strengths:

- its distinguished profile as a quality provider of e-Education platform, e-Business solutions and multiple access platform;
- its early move into the e-Education, e-Business solutions and voice and wireless industries which give it a distinct lead over its local competitors;
- its management's in-depth experience and expertise in the e-Education, e-Business solutions and voice and wireless industries;
- its strong technological capability which enables the Group to introduce innovative solutions;
- its project development experience in a broad spectrum of industries complements the Group's offerings and allows the Group to shorten the lead time in the development of generic products;
- its collaboration with the Education Department, schools and universities in Hong Kong which facilitate the Group's penetration into the e-Education markets in Hong Kong;
- its strong alliances with strategic partners and investors which allows the Group to offer total solutions with broad business coverage.

PRODUCTS AND SERVICES

e-Education solutions

The Group's principal products in respect of its e-Education business include eCampus and eCampus Library. The Group also provides other professional services including project consultation, distance learning solutions and applications development.

eCampus

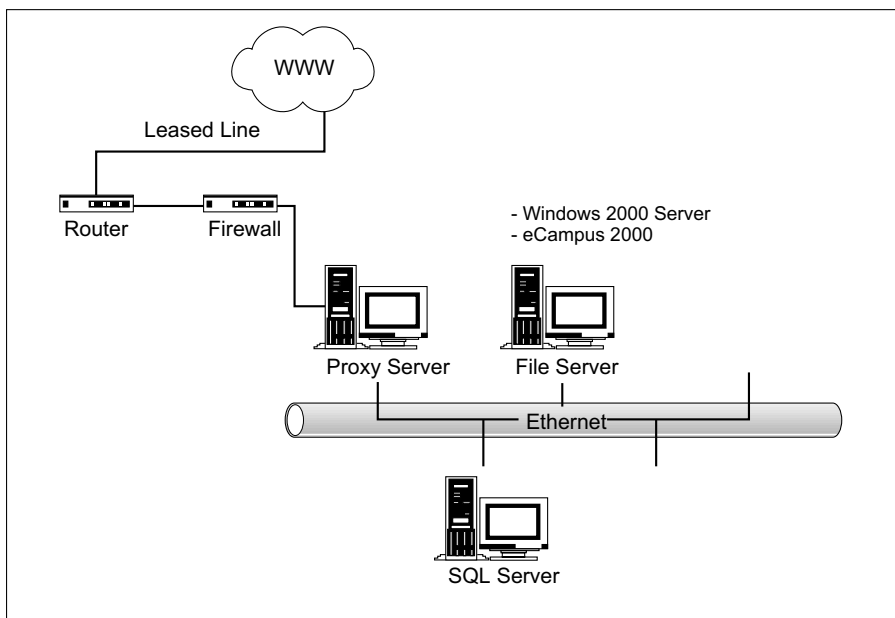
eCampus is the flagship product of the Group. It is a unique solution which supports communication, resources sharing and information dissemination in an Intranet, Extranet and Internet environment designed for schools. It is integrated with the following features:

- activity enrolment system, a system which allows students to enrol for extra curricular activities through an intranet system
- content management system, a system which contains the tools for an administrator to manage the content update easily
- e-mail system, a system enabling students, staff and school administrators to share information and communicate electronically
- user administration and tool administration systems, tools which can be used to manage user accounts and functions in the platform

BUSINESS

- project gallery, a system which provides a forum for users to post their pictures or other graphical presentation in various formats, to view their own and others' pictures or other graphical presentation online and to post personal opinion and comment.
- video-on-demand, a platform which allows students to organise, upload and download multimedia programs from a video server
- test-on-demand, a system which allows students to carry out tests on any particular subject with records showing test results including the students own mark and analyses of results for all students such as the average mark and the highest mark among all students
- questionnaire generator, a function which allows users to create their own questionnaires to collect information or feedback
- course preparation system, a system which allows teachers to upload teaching materials including written materials, video, sound and graphics
- resources booking module, a system which assists school administrators to manage school resources and allows staff and students to reserve school resources through an Intranet platform
- MyeCampus, a system which contains a number of personal tools including web-based e-mail system, calendar with sharing events function and personal file management system

The system diagram of eCampus is shown below:



eCampus consists of two models, the ASP model and the school-based model. For the ASP model, the server and database of a school are hosted in a data hosting centre designated by the Group. For the school-based model, the database of a school is hosted in the local server installed at the school.

eCampus Library

eCampus Library is a web-based library management system for schools. The system consists of two parts, namely, the web-based module and the librarian workstation module. The former allows users to access school library resources through a local area network (LAN) and the Internet, while the latter provides library administrators with handy tools to manage daily library operations. The system allows Internet access to the school library and supports a broad range of library administrative functions such as online reservation, user administration and library resources categorisation.

The web-based module of eCampus Library supports the following main functions:

- user administration, a system which enables borrowers to access their own user profiles and allows administrators to classify individual users to their corresponding user groups
- resources administration, a feature which allows administrators to manage resource type and location as well as adding new books or items.
- library news administration, a feature which allows administrators to update the library news notice board
- rules administration, a feature which allows administrators to set up loan rules and late return penalty
- menu administration, a tool which allows maintenance of the system's menu by the administrators
- tag administration, a tool which allows administrators to manage the library coding system
- budget administration, a system which allows administrators to budgeting tools for new book purchases

The librarian workstation module supports the following main functions:

- book borrow and return recording system
- importation of books data
- inventory checking
- report printing on book reservations, top readers list, top books list, book inventory and book overdue

e-Business solutions

The Group applies its technological knowhow and cross industry expertise in project implementation to modulate off-the-shelf products for general application and industry specific market. The Group's principal products include webproject and webbuilder, both of which are currently available and webchannel, which is expected to be commercially available by the second quarter of 2002. The Group also provides professional and consultancy services to clients on e-Business system development systems architecture design, hardware capacity planning, project implementation and technological integration with core business practices.

Webproject

Webproject is a web-based application designed for project management with reference to the project management standards prescribed by PMI. Webproject version 1.0 was launched in March 2001, targeting at corporate entities and professional firms. It provides tools for users to create their project system and manage the timeline and status of the tasks assigned for each project through the Internet in a user friendly and efficient manner.

Webproject provides the following features:

- user account administration with authority setting
- task assignment
- group and individual project calendar
- document sharing and management
- timeline management
- reminder feature
- discussion forum
- multi-projects and cross functional coordination support
- user-friendly graphical interface
- global access with web browsers
- international time zone
- e-mail broadcasting to project members

Given the basic features above, webproject version 2.0 which is expected to be launched by the second quarter of 2002 will be integrated with the following additional features:

- enhanced security system
- upgraded language function to include simplified Chinese characters

Webuilder

Webuilder was modulated from the Internet system development projects implemented by the Group. It is designed to equip users with the necessary tools to build and maintain their own website. It is targeted at small and medium enterprises. Webuilder version 1.0 was launched in March 2001 integrated with the following features:

- password protection for content administration
- product catalogue and e-mail enquiry
- online approval system

BUSINESS

- multiple level support
- global access with any web browser
- online content management
- extensive customisation capabilities to add new forms and templates

In addition to the above features, webbuilder version 2.0 which is anticipated to be launched by the second quarter of 2002 will be integrated with the following extra features:

- voice recognition function
- WAP enabling technology
- upgraded language function to include simple Chinese characters

Webchannel

Webchannel is designed to provide an online three-way communication channel between user companies and their buyers and suppliers to facilitate business operations and logistics management. Webchannel allows companies to designate unique content and user right to each user group so that users can access and update information specific to the assigned group. The Directors anticipate that webchannel will be launched by the second quarter of 2002.

Webchannel will be incorporated with the following features:

- user account administration with authority setting
- document and photo sharing with business partners and clients
- new document reminder feature
- discussion forum
- product catalogue and enquiry
- corporate news announcement and broadcast system
- partners and clients contact list
- event calendar

e-Business integration and professional services

The Group provides e-Business integration and other related professional services. The Directors believe that the Group is one of the pioneers in Hong Kong in applying Java and other technologies in developing user interface and applications for all kinds of Internet based system. The Group builds on its expertise in e-Business system design to implement solutions addressing all elements of e-Commerce such as B2B and B2C to facilitate the handling of business operations such as sales transaction, order processing and transaction settlement through the Internet. The Group's e-Business solutions support applications on the Internet and Intranet.

BUSINESS

The Group also provides professional and consultancy services to clients on e-Business development system architecture design, project implementation and technological integration with core business practices.

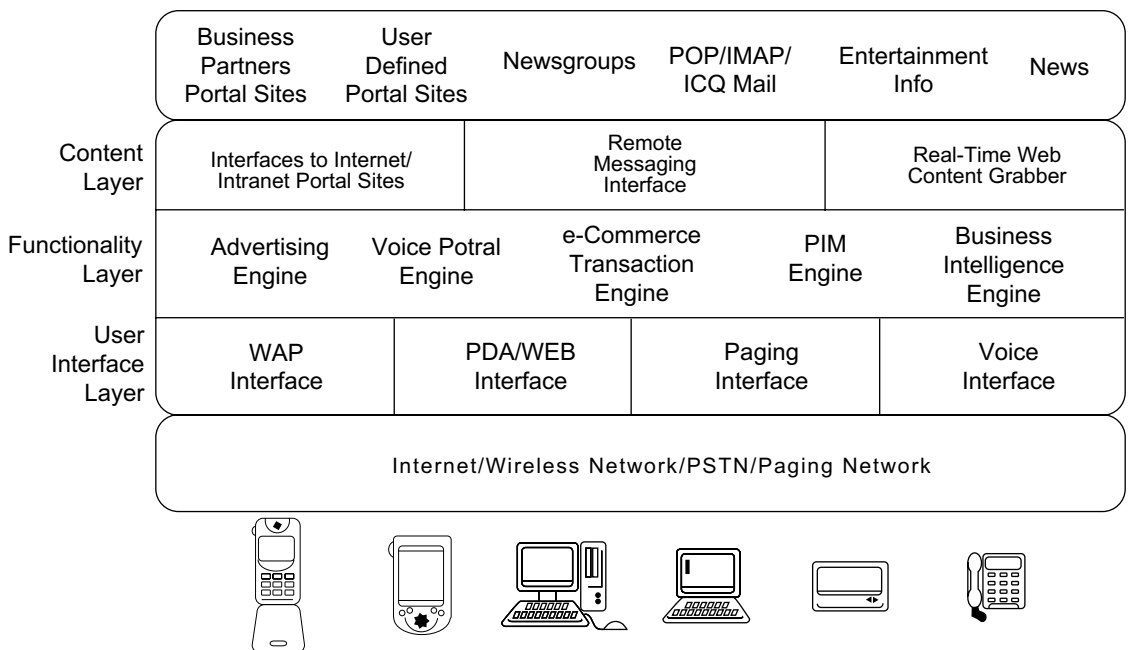
Multiple access platform

Since May 2000, the Group has committed resources in the design, development and implementation of voice and wireless Internet enabling solutions, converging voice, wireless and Internet technologies. By implementing wireless Internet enabling technologies, the Group's multiple access platform, the MAP-Village, assists corporate entities enhance efficiency and streamline operations. Information can be delivered through many mediums and communication devices with MAP-Village through remote access to corporate Intranet and other Internet-based services. The Group also provides professional value added services to clients including the integration of voice and wireless technologies into the client's existing operating system, systems design of voice and wireless applications, WAP application and unified messaging system.

MAP-Village

Launched in December 2000, the MAP-Village platform combines the use of the Internet with mobile devices such as mobile phones, wireless PDA and WAP enabled communication devices connected to the Internet. Through MAP-Village, content can be transformed from different sources such as Internet mail, ICQ, newsgroups and web content and be presented on various devices such as voice channel, mobile short messaging channel, mobile data channel and Internet/ Intranet channel.

The MAP-Village application service platform can be divided into three layers – the content layer, functionality layer and the user interface layer. The diagram below illustrates the functions of the three layers in the MAP-Village application service platform.



Content layer

The content layer is mainly responsible for the build-up and synchronisation of content from different formats. It includes the following features:

- Real-time web content grabber – transforms existing content on Internet sites with HTML format to several formats such as WML, XHTML, XML, VociXML which can be read by mobile devices.
- Remote messaging interface – provides remote mail interface, ICQ interface and newsgroups interface that dynamically transform the messaging content collected from any remote sites.
- Interfaces to Internet/Intranet portal sites – transforms content to multiple devices based on template format for Internet content providers and corporations

Functionality layer

The functionality layer consists of core engines forming the basic platform developed by the Group. The various types of core engines targeted at individuals and corporations in different industries are listed as follows:

- Voice portal engine – consists of text-to-speech and speech recognition functions which convert content collected from the content layer to synthesize the human voice and recognise human speech in voice portal applications.
- Advertising engine – provides online functions for system administrators to maintain, schedule and broadcast advertising messages to individual function groups on different devices.
- Personal information management engine (“PIM engine”) – assists individual users to customise their profiles and maintain their own personalised multiple-access organisers on different devices.
- Business intelligence engine – provides analytical functions to system administrators such as marketing research data by collecting the usage patterns from the MAP-Village platform.
- e-Commerce transaction engine – provides security functions to system administrators on wireless environment for creating mobile commerce applications.

User interface layer

The user interface layer mainly controls the presentation of content on different devices and includes the following interfaces.

- WAP interface – supports different presentation format on different WAP browsers and is able to determine device types. It also allows image conversion from BMP to WBMP and supports real time bitmap conversion and Unicode conversion for WAP phones.
- Voice interface – supports text-to-speech from HTML and allows speech recognition in English, Mandarin and Cantonese.
- Paging interface – able to handle the connectivity of the MAP-Village platform to paging networks that support TAP and TNPP.
- PDA/WEB interface – allows the viewing of content that fits the screen size of Palm and pocket PCs.

BUSINESS

QUALITY CONTROL

The Group is committed to provide high quality products and solutions to satisfy its customers' requirements. As a result, the Group administers stringent quality testing procedures including trial run and testing conducted by the Group's technical team. In addition, the Group implements quality control testing at various stages of product development, from feasibility studies conducted at the beginning to ensure the viability of each project to product testing at the final stage to eliminate defects. All such activities are examined and reviewed by the Group's clients in order to ensure that they are satisfied with the finished products or solutions of the Group.

Given the Group's stringent quality control procedures, there has been no operational failure of the products and solutions implemented by the Group. For the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001, the Group has not received any material complaints from clients in relation to the quality of its products and solutions which would materially and adversely affect the business operations and financial position of the Group.

SALES AND MARKETING

Sales

The Group's revenue is mainly derived from the sale of project based solutions and products in the areas of e-Education, e-Business solutions and multiple access platform. The Group targets its sales and marketing efforts towards schools, universities, corporate entities and government departments in Hong Kong and the PRC. The Group's sales and marketing team comprises three members who are responsible for the marketing and promotion of the Group's products and services.

The Group mainly provides its off-the-shelf products to its clients on a fixed price basis. For tailor made projects, the project scope is usually pre-determined and agreed upon between the Group and its client. The total amount charged by the Group for a project depends upon various factors such as the complexity of the project and the expected number of working days required to complete the project. The Group also charges a one-off set up fee in respect of its ASP services. The Group generally charges maintenance fees in respect of its ASP services monthly or annually.

The five largest customers of the Group accounted for approximately 100.00%, 52.00% and 60.45% of the Group's total turnover for each of the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001 respectively with the largest customer of the Group accounting for approximately 70.92%, 17.28% and 24.50% respectively. Save and except for Corpmart.com Limited, none of the Directors, their respective associates or, so far as the Directors are aware, shareholders who hold more than 5% of the issued share capital of the Company (immediately following the completion of the Placing and the Capitalisation Issue and taking no account of the Shares which may be taken up under the Placing or issued pursuant to the exercise of the Over-allotment Option and the options granted or to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme) had any interests in any of the five largest customers of the Group for each of the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001. For the year ended 31st December, 1999 and the nine months ended 30th September, 2001, Corpmart.com Limited accounted for approximately 1.45% and 8.82% of the Group's total turnover. The services provided by the Group to Corpmart.com Limited was portal development. On 1st February 2001, Mr. Yu Hang Chung, Herman resigned as a director of Corpmart.com Limited and on 19th July, 2001, Mr. Yu Hang Chung, Herman disposed of all his interests of approximately 11.41% in Corpmart.com Limited. As a result, none of the Directors, their respective associates or, so far as the Directors are aware, shareholders who own more than 5% of the issued share capital of the Company (immediately following the completion of the Placing and the Capitalisation Issue and taking no account of the Shares which may be taken up under the Placing or issued pursuant to the exercise of the Over-allotment Option and the options granted or to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme) currently hold any interests in Corpmart.com Limited.

BUSINESS

Payments are settled in Hong Kong dollars by cheques or in Renminbi by remittances. For the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001, except for an amount of RMB500,000 which was paid in Renminbi, all payments were settled in Hong Kong dollars. The Group generally gives 30 to 60 days' credit terms to its customers depending on the business relationship with a particular client and its payment history. The Directors consider that the Group generally maintains tight credit control measures and it has made adequate provisions for doubtful debts. For each of the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001, bad debts of the Group amounted to approximately HK\$136,000, HK\$2,283,000 and HK\$782,000 representing approximately 9.89%, 25.46% and 9.58% of the total turnover of the Group respectively.

Marketing

The sales and marketing team is generally involved in the preparation of proposals and quotations and discussions with the Group's technical team in relation to customer specifications for its project-based solutions. The Group mainly relies on direct marketing, referrals from its business partners and tenders from governmental departments for the promotion of its project-based solutions.

For the marketing of products or packaged solutions, apart from direct marketing, the Group also conducts product demonstrations for its targeted potential customers. In addition, the Group conducts market research and plans its marketing strategy before the launch of its major products, organises press conferences and conducts demonstrations to potential clients in selected industries.

In order to increase brand recognition, the Group regularly participates in technology exhibitions, press conferences, and seminars in Hong Kong and the PRC to promote its products and services. The Group also sponsors events organised by specific groups to promote the Group's brandname. For example, the Group has sponsored a number of events for the promotion of its e-Education products to schools.

With an emphasis on a customer-oriented approach, the Group seeks to understand its customers' requirements and monitor closely their feedback in order to enhance its products and solutions. The Group conducts free training sessions for customers after installation of the Group's products or solutions in order to provide them with a thorough understanding of the Group's solutions and how to maximise their use and to increase efficiency.

As at the Latest Practicable Date, the Group had entered into two non-exclusive distribution agreements with computer software and hardware companies including Nuance and Gilat. Pursuant to the distribution agreements, the Group has been granted the rights to sell their products in Hong Kong and/or the PRC. Leveraging on the alliances with its distribution partners, the Group also undertakes joint marketing promotions with a global leading computer and network products provider. The Directors believe that these agreements and cooperative arrangements will enable the Group to deliver to their customers a more comprehensive solution. The Directors also believe that by maintaining the relationship with these partners, the overall brand image and competitiveness of the Group will be enhanced.

SUPPLIERS AND PURCHASES

All of the Group's purchases are made in Hong Kong dollars and payments are generally made on a cash-on-delivery basis. The payment methods to the Group's suppliers are usually upon delivery and are usually settled by cheque in Hong Kong dollars.

The five largest suppliers of the Group accounted for approximately nil, 27.49% and 33.01% of the total purchases of the Group for each of the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001 respectively with the largest supplier of the Group accounting for approximately nil, 8.14% and 13.15% respectively. None of the Directors, their respective associates or, so far as the Directors

BUSINESS

are aware, shareholders who hold more than 5% of the issued share capital of the Company (immediately following the completion of the Placing and the Capitalisation Issue and taking no account of the Shares which may be taken up under the Placing or issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Plan and the Share Option Scheme) had any interests in any of the five largest suppliers of the Group for each of the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001.

RESEARCH AND DEVELOPMENT

The Directors believe that timely response to rapid technological changes and the changing requirements of its customers are critical to the success of the Group. As such, the Group places considerable emphasis on the research and development of its products.

The research and product development team consists of 18 members in Hong Kong and 6 members in the PRC and can be broadly characterised into three teams, namely, the project team, the content and development team and the technical team. The project team is responsible for the coordination of the project. The content and design development team considers the conceptual design including factors such as the overall scheme and layout for different software and follows through the entire project to ensure the end result is in accordance with the client's requirement. Based on the specifications, the technical team is responsible for the development of enabling technologies.

The research and development team of the Group maintains close contacts with the Group's technological partners and vendors in order to keep up with the changing technological standards. The staff of the Group attend technical training or seminars organised by the Group's technological partners and other technological vendors, so that they are kept abreast with the latest technological developments and are able to integrate such technologies into the Group's new or enhanced products and services.

For the period from 23rd July, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001, the research and development expenses incurred by the Group amounted to approximately nil, HK\$5.36 million and HK\$0.85 million, respectively. The research and development expenses include salaries of research and product development staff in Hong Kong and the PRC according to the number of working days spent on the research and development of new products and enhancement of existing products.

SECURITY AND DATA PROTECTION

The Directors consider that security and data protection is crucial in order to protect the Group's proprietary rights. The Group implements security infrastructure for authenticating and authorising access, for example, all source codes and confidential documentations such as functional specification, system design and user manuals are stored in Microsoft Source Safe. To protect the data against loss or damage and prevent unauthorised access and fraud, only project team members are permitted to access the source codes of their assigned projects, while only technical managers and chief technology officers have the access rights to all the source codes.

COMPETITION

e-Education

There are about 780 primary schools, secondary schools and other education institutions using the Group's e-Education solutions in Hong Kong.

As an early entrant to the e-Education market, the Group has collaborated with schools and educational authorities in Hong Kong and the PRC. The Group intends to implement new technologies to develop innovative e-Education solutions, web learning and specific applications for schools in order to maintain its leading position in the industry. The Directors consider that the Group mainly competes with new entrants to the e-Education market which offer e-Education products at a low price and existing solution providers in the e-Education market which develop new products within a short lead time.

BUSINESS

e-Business

The Group competes with both local and international Internet technology providers in respect of its e-Business solutions. These companies mainly compete with the Group's project-based services including e-Business integration, and other related professional services. The main competitors usually specialise on specific areas which may include strategic consultation, web-based application development, web design, e-branding and online marketing.

The Directors consider that the Group has a competitive edge over its competitors with its web-design services and its series of e-Business products including general business applications as well as industry-specific products. At present, the Directors are only aware of a limited number of products developed by US and Hong Kong companies which are similar to the Group's Webproject, Webbuilder and Webchannel. However, the Group's e-Business products offer additional features such as password-protected content and product customisation at more competitive prices and are mainly targeted at small to medium-sized enterprises and corporations such as architecture firms, trading firms and travel agencies.

Multiple access platform

MAP-Village is an application service platform which offers multiple access channel for wireless and voice devices. Currently, only a limited number of websites are compatible with mobile and other wireless access devices.

Within the Asia Pacific region, the Group faces competition from several mobile access service providers. However, the Directors consider that the Group possesses a competitive edge over these competitors as it has integrated speech recognition and text-to-speech technologies with dynamic Internet content transforming techniques.

INTELLECTUAL PROPERTY RIGHTS

The Group has applied for the registration of trademarks in Hong Kong and the PRC in 2001 and registered certain domain names, details of such applications for registration of trademarks are disclosed in the paragraph headed "Intellectual property" under the section headed "Further information about the business" in Appendix IV to this prospectus.

STRATEGIC INVESTOR

In order to facilitate its business development, the Company continues to pursue strategic relationships with companies that have the technology capability, resources, expertise and local influence that could assist the Group in becoming the leading Internet technology and platform provider in Hong Kong and the PRC with a focus on e-Education solutions, e-Business solutions and multiple access platform.

HyComm

HyComm is a company listed on the Main Board. It is engaged in the business of property development, property leasing, construction and decoration services, provision of property management services, property agency and investments in technology. HyComm is a long term strategic investor of the Group. The Directors believe that HyComm invested in the Group as HyComm considers that Internet technology business have tremendous commercial potential. As at the Latest Practicable Date, HyComm held 569,751 Shares which represented approximately 12.25% of the issued share capital of the Company and will hold 60,584,726 Shares after completion of the Placing and the Capitalisation Issue, representing approximately 10.10% of the issued share capital of the Company immediately after completion of the Placing and the Capitalisation Issue (assuming that the Over-allotment Option and the options granted or to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme are not exercised). Currently, HyComm is not engaged in any business in direct competition with those of the Group.