
GENERAL OVERVIEW OF THE GROUP

HISTORY AND DEVELOPMENT

The Group was founded in 1990. The Directors believe that the Group is one of the first mobile B2B eBusiness solutions providers using ASP approach and targeting the SMEs in the Greater China Region, focusing on Internet-based eBusiness solutions and mobile and wireless computing.

The Group commenced its business as a software company engaging in the development and sales of packaged software to its customers, particularly the SME in Hong Kong. In early 1990s, the Group launched Magic Accounting System. The Directors believe that Magic Accounting System was one of the first standard accounting application solutions supporting Chinese character specifically designed for the local SMEs. The Group then further developed and sold the following products: Magic Sales and Inventory System, Magic Trading System and Magic Retail System, all of them running on DOS and Novell Network.

Since 1996, in response to the technological changes and the gradual acceptance of Windows environment in Hong Kong, the Group began to upgrade all of its then existing line of products onto Windows platform. It successfully developed customised Windows-based business application solutions in 1997 and the standard Windows-based business application solutions were launched in 1998. In the period from 1995 to 1996, the Group further improved its products to support open architecture and client-server on UNIX platform. While developing its business application solutions business, the Group had also engaged in the retail sales of hardware since 1995. The hardware retail sales subsequently ceased in 1997 due to its low profit margin and strong competition.

The Group has, since 1997, focused on the development of business application solutions in view of the market demand. In 1997, the Group was awarded ISO9001 quality standard certification. The Directors believe that the Group is one of the first Hong Kong-based software companies being awarded the ISO9001 certification on its products.

Since 1997, the Group had been selling its packaged software through Msoft Systems Limited in which the Group had 40% equity interest in order to expand the sale of its packaged software into new markets such as electronics industry by leveraging on the industry knowledge of the business partner, an independent third party, of Msoft Systems Limited. Msoft Systems Limited has become dormant since 1st April, 1999 and was disposed by the Group on 30th December, 1999 for approximately HK\$78,000 on the basis of the net asset value of Msoft Systems Limited as at the date of disposal. Since the disposal, Msoft Systems Limited has ceased to have business relationship with the Group except that Noble Class Group Limited, a substantial and management shareholder of the Company, owns 40% equity interest in it. The remaining 60% equity interest is held by an independent third party.

Being a self-motivated and an established software company in Hong Kong, the Group has always kept itself abreast of the latest IT development worldwide. In early 1997, recognising the rapid development in the Internet industry in the US and the changes it brought with in the way of doing business, the Group determined to play a leading role in the age of the Internet. As Hong Kong and most other Asian countries lag behind the US, Japan and other developed countries in terms of technology, the Group has foreseen the huge potential ASP market in Hong Kong and other regions in Asia.

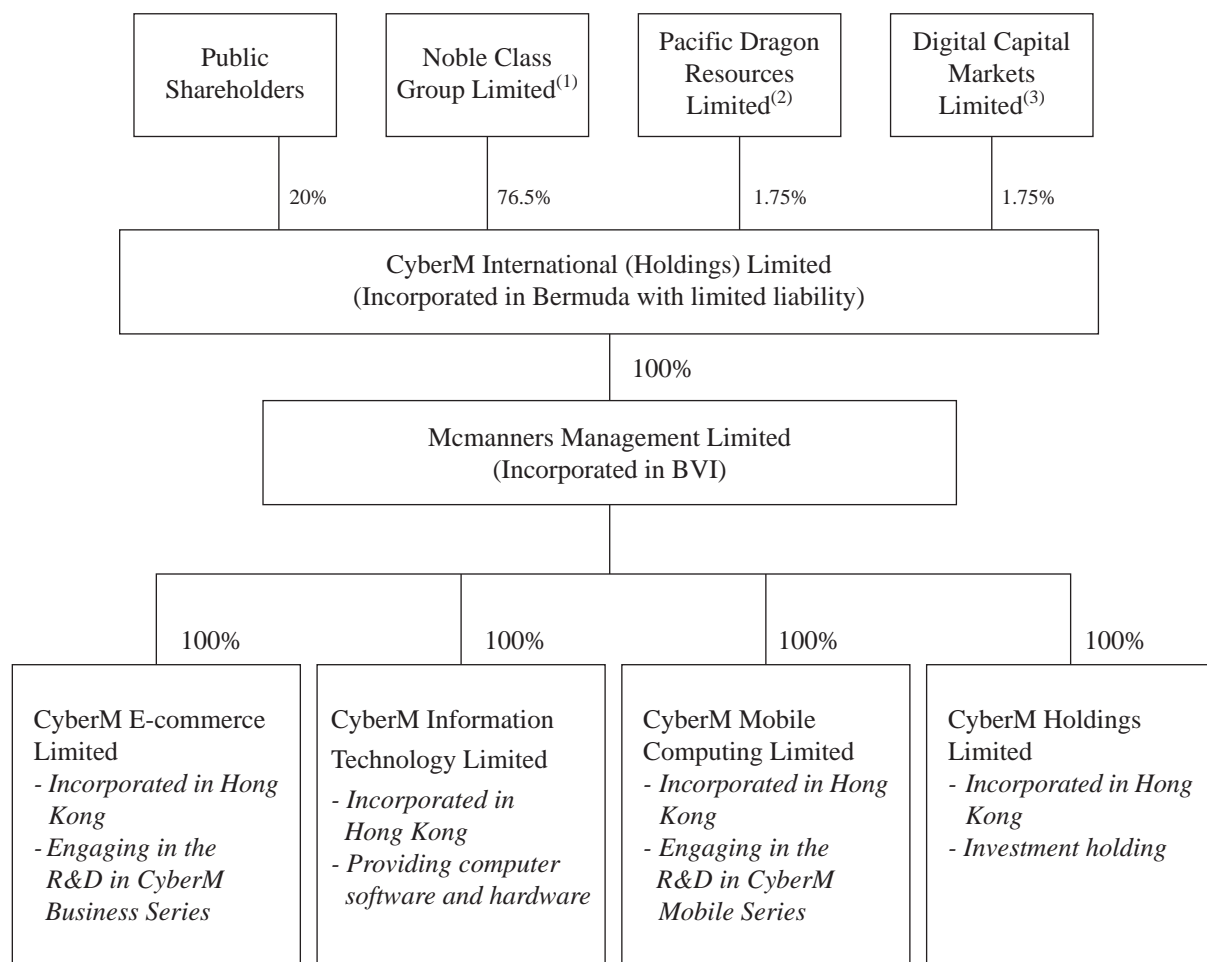
GENERAL OVERVIEW OF THE GROUP

In 1998, the Group, with its dedicated R & D team, started to focus on the R & D in Internet-based B2B eBusiness solutions. The Group also commenced the R & D in mobile and wireless computing technologies in 1999. The Group soft-launched the new Internet-based CyberM Business Series in November 1999 to its existing customers for upgrading. CyberM Business Series is distributed to the customers via the Internet and is officially launched in the third quarter of the year 2000.

In May 2000, the Group soft-launched in Hong Kong CyberM Mobile Series on palm-top and mobile phones which was built on CyberM Business Series. The solution was developed by the Group with the technical assistance of Sybase HK.

GROUP STRUCTURE

The following chart shows the structure of the Group immediately following the completion of Placing (assuming no exercise of Over-allocation Option by which up to 7,500,000 existing Shares are to be sold by Noble Class Group Limited to the Underwriters):



Notes:

1. Noble Class Group Limited will beneficially own approximately 76.5% of the issued share capital of the Company (assuming the Over-allocation Option referred to on page 111 of this prospectus is not exercised) immediately after the completion of the Placing and the Capitalisation Issue. If the Over-allocation Option by which up to

GENERAL OVERVIEW OF THE GROUP

7,500,000 existing Shares are to be sold by Noble Class Group Limited is exercised in full, the beneficial interest of Noble Class Group Limited will be reduced to approximately 73.5%. The entire issued share capital in Noble Class Group Limited is in turn held by Sunrise International (Holdings) Limited (“Sunrise”), a company incorporated in Cayman Islands. Mr. Lau and his spouse, Mr. Yip, Mr. Lai, Mr. Wong and Mr. Fung are the holders of all the issued non-voting redeemable and retractable preferred shares of Sunrise with the rights to a fixed 5% cumulative dividend and redemption at fixed redemption prices in the aggregate amount of HK\$9 million only. All the issued ordinary shares of Sunrise are held by Arawak Trust Company Limited, a corporate trustee of a discretionary trust, the discretionary objects of which include:—

- (i) Prophecy Associates Limited*
- (ii) Mr. Yip, his spouse, their issue and the spouses of their issue**
- (iii) Mr. Lai, his spouse, their issue and the spouses of their issue**
- (iv) Mr. Wong, his spouse, their issue and the spouses of their issue**
- (v) Mr. Fung, his spouse, their issue and the spouses of their issue**
- (vi) Mr. Chan Wing Fuk, his spouse, their issue and the spouses of their issue.**

The discretionary trust described above is subject to a non-binding arrangement that any distribution of trust funds will be in the following proportions:—

Discretionary objects	Proportion
Prophecy Associates Limited *	86.68%
Mr. Yip (upon his death, his spouse, and upon the death of both Mr. Yip and his spouse, their children)	3.33%
Mr. Lai (upon his death, his spouse, and upon the death of Mr. Lai and his spouse, their children)	3.33%
Mr. Wong (upon his death, his spouse, and upon the death of Mr. Wong and his spouse, their children)	3.33%
Mr. Fung (upon his death, his spouse, and upon the death of Mr. Fung and his spouse, their children)	3.33%

* All the issued ordinary shares of Prophecy Associates Limited are held by AMS Trustees Limited, a corporate trustee of a discretionary trust, the discretionary objects of which include the lineal descendants of the paternal and maternal grandfathers of Mr. Lau and his spouse and their respective spouses but exclude, *inter alia*, residents of Canada.

** The families of Mr. Lau, Mr. Yip, Mr. Lai, Mr. Wong, Mr. Fung and Mr. Chan Wing Fuk as described above are not relatives of each other. Mr. Chan Wing Fuk is the godfather of Mr. Lau’s spouse.

2. Pacific Dragon Resources Limited, a company incorporated in British Virgin Islands and its entire issued share capital is owned by two third parties independent from the Directors, the substantial shareholder or initial management shareholder of the Group. Pacific Dragon Resources Limited will beneficially own 1.75% of the issued share capital of the Company immediately after the completion of the Placing and the Capitalisation Issue.
3. Digital Capital Markets Limited, a company incorporated in British Virgin Islands and its entire issued share capital is owned by a third party independent from the Directors, the substantial shareholder or initial management shareholder of the Group. Digital Capital Markets Limited will beneficially own 1.75% of the issued share capital of the Company immediately after the completion of the Placing and the Capitalisation Issue.

GENERAL OVERVIEW OF THE GROUP

BUSINESS OF THE GROUP

The business of the Group is mainly to provide packaged software, customised business application solutions and the related technical support and maintenance services. In view of the imminent boom of the ASP market, the Group has started focusing on mobile B2B eBusiness solutions using ASP approach.

PRODUCTS AND SERVICES

The Group's products are developed based on development tools and platform, deployment tools and platform, software products and technologies of other IT vendors. They can be broadly divided into the following categories:

1. Internet-based business application solutions

CyberM Business Series

CyberM Business Series was soft-launched in November 1999 to the Group's existing customers. The solution is installed in the customers' server and the customers can access the solution away from office. With the official launch of CyberM Business Series to take place in the third quarter of 2000, the application will be mainly hosted by ASPs and the customers can access it through the Internet. It is an e-commerce business application solution for the enablement of back-end logistics management through the Internet.

CyberM Business Series is to be delivered via the Internet under an ASP approach. By paying a small amount of monthly rental to the ASPs, users can access the most up-to-date applications and are relieved of the traditional post-implementation software-related expenditure or expensive hardware installation. The Directors believe that this Internet-based business application solution is one of the first mobile B2B eBusiness solutions specifically designed for the SMEs in the Greater China Region.

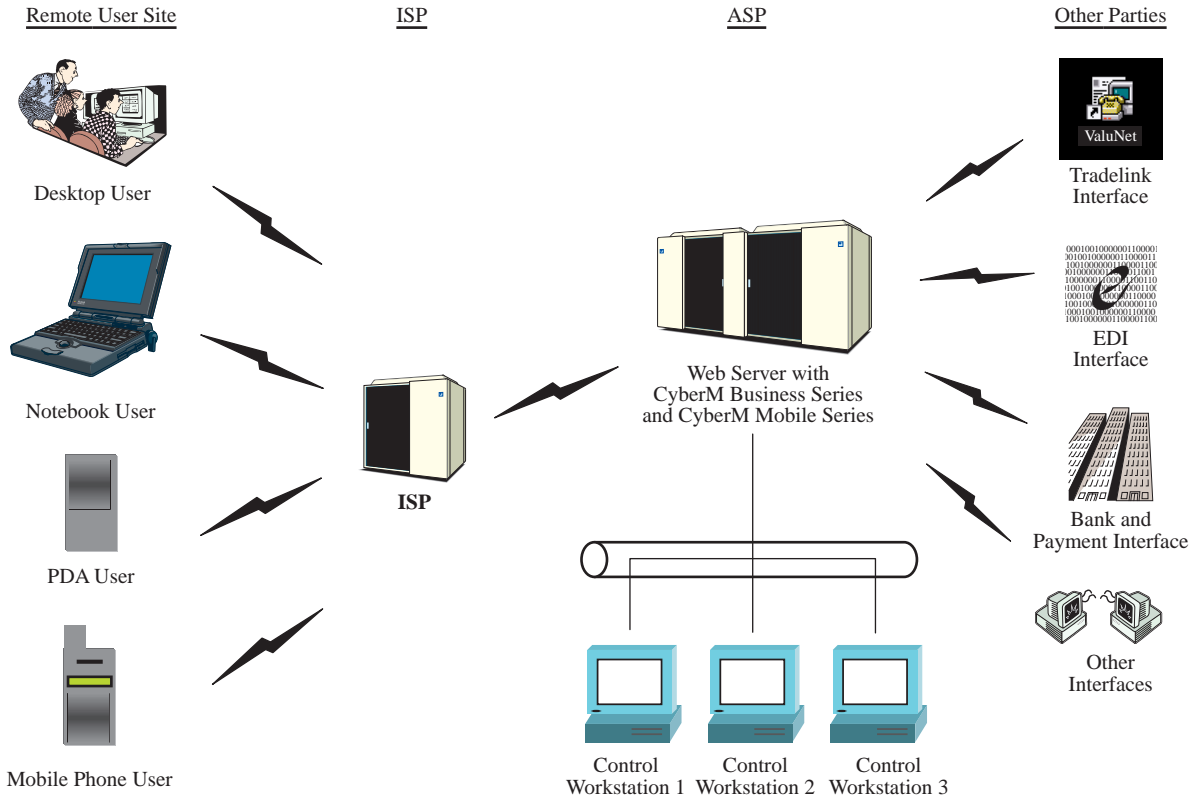
CyberM Business Series' capabilities in supply-chain management include management of products, pricing, orders, logistics, inventory, multiple warehouse locations, shipping, procurement, reporting and financial accounting. It provides interface to the widely used import/export declaration software "ValuNet" developed by Tradelink for custom declaration in Hong Kong. The users of CyberM Business Series can enter the information once in the system without the need to re-enter the same data again in the ValuNet System.

The Group has also reached an arrangement with a major international bank to explore the possibility for embedding the bank's payment interface as a value-added feature into CyberM Business Series. CyberM Business Series will allow direct interface with the bank for settlement of accounts payable and the users of CyberM Business Series will be able to make use of the interface without going through the traditional payment logistics. Apart from that, the Group is also exploring the possibility with the bank for the addition of other web-based solutions to the Group's mobile B2B eBusiness solutions in the future.

The users can also use the CyberM Mobile Series mentioned below which is built on CyberM Business Series to access important customer sales and inventory information by means of mobile phones or other mobile computing devices (e.g. palm-top) to enhance their productivity and customer services.

GENERAL OVERVIEW OF THE GROUP

System Architecture for CyberM Business Series and CyberM Mobile Series



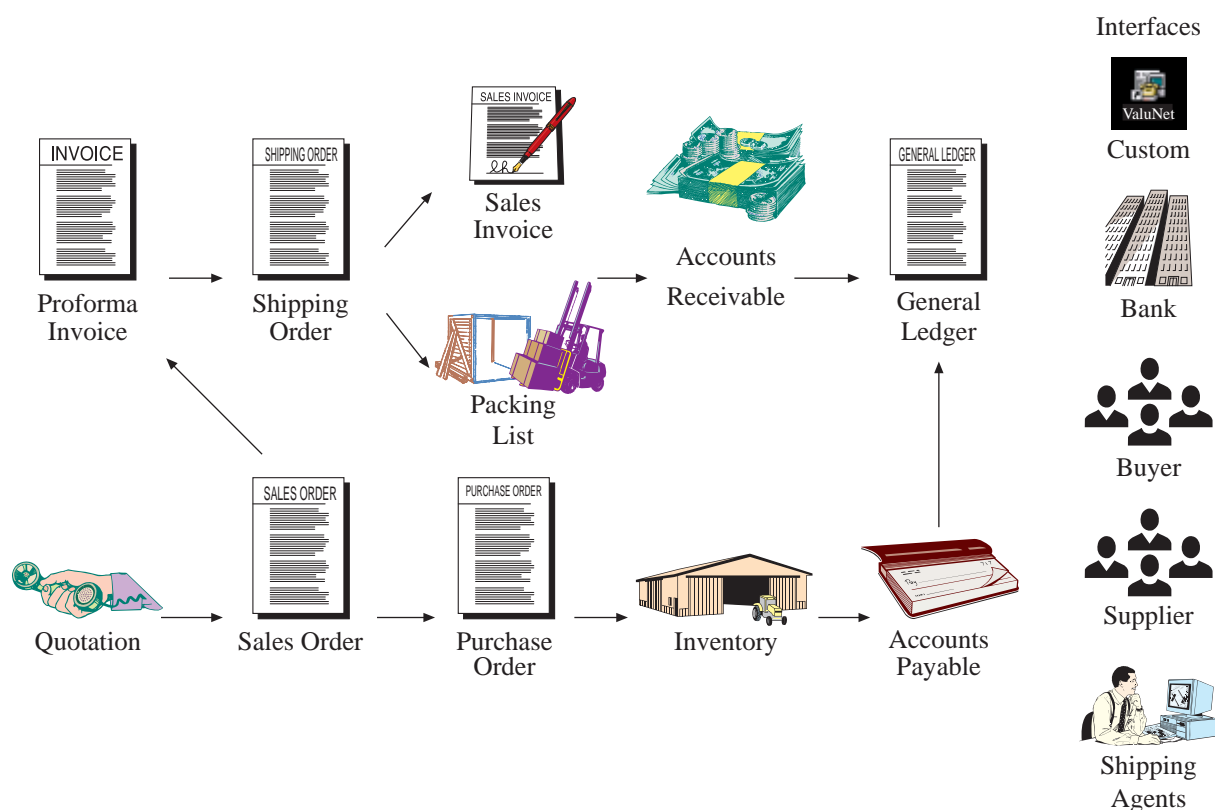
The functions of CyberM Business Series include:

- Quotation Management
- Sales Order Management
- Shipping Order Management
- Invoice & Document Management
- Purchase / Procurement Management
- Inventory Management
- Banking Facility & Letter of Credit Handling
- Financial Accounting
- General Ledger
- Accounts Receivable
- Accounts Payable

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- Budgeting
- Flexible Document Format & Report Generator

Flow Chart of CyberM Business Series



2. Mobile and wireless computing

Mobile and wireless computing provides a comprehensive platform allowing access to Internet-based B2B eBusiness solutions via mobile computing devices anytime and anywhere. Users like salesmen and traders can now access directly to the information stored in their offices or the hosting servers from remote locations. Their costs are reduced while having increased productivity and better customer services.

CyberM Mobile Series

The first CyberM Mobile Series solution developed by the Group with the technical assistance of Sybase HK was soft-launched in May 2000. The solution enables integration of mobile computing devices (palm-top and mobile phones) with Internet-based CyberM Business Series. The users can access information including customer, sales and stock information anywhere and anytime from remote locations. The orders can be inputted into the mobile computing device in the customer site and then submitted through a mobile phone to the central database server via the Internet immediately for order processing. The Directors expect that the solution will be officially launched in the third quarter of the year 2000.

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Since the products of Sybase Inc. are open-architecture based that allow running on different software and hardware platforms, the Directors believe that CyberM Mobile Series, being built on upon Sybase platform, possesses high compatibility.

The Group will continue its R & D on the application of mobile and wireless computing technologies to upgrade CyberM Mobile Series' capabilities. These solutions are expected to be interactive with Internet-based B2B eBusiness solutions both on-line and off-line. Other than supporting the palm-top and the existing mobile phone operations, it is also expected to support various mobile computing devices like Windows CE and WAP phone in the future.

To further strengthen its capabilities in mobile and wireless computing technologies, the Group has signed a collaboration agreement with Sybase HK to co-operate in the development of mobile and wireless solutions, the details of which are set out in the paragraph headed "Business & Technical Alliance".

3. Customised business application solutions

In addition to providing Internet-based business application solutions and mobile and wireless solutions, the Group also provides customised business application solutions built on its packaged software. Different from the clientele of the packaged software, the customers of customised business application solutions are mainly corporations of larger size which demand specific tailor-made features to be added on the packaged software of the Group for their internal control, business flows and other needs.

Business solutions

In response to the rapid technological changes and the penetration of the Internet, the Group is now focusing on the development of Internet-based CyberM Business Series. As Windows-based business application solutions mentioned below will phase out gradually, the Group will provide customisation on Internet-based CyberM Business Series as and when required. At present, customisation is mainly conducted on Windows-based business application solutions.

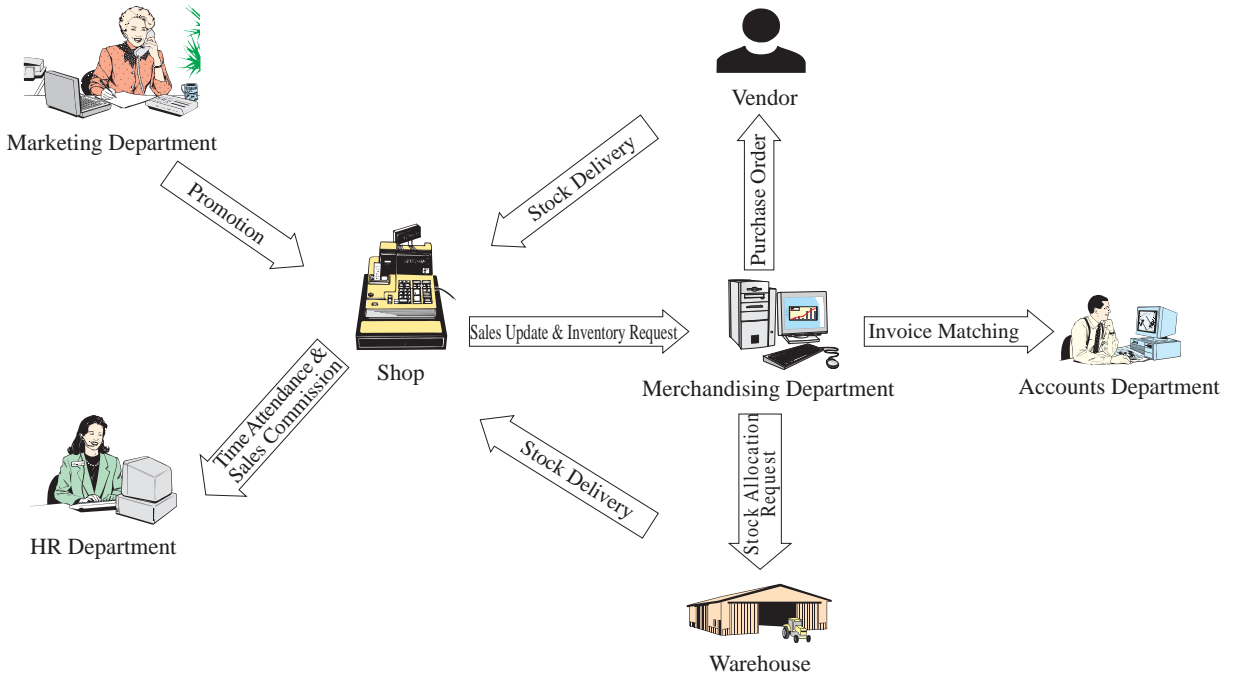
Retail solutions

The Retail solutions are specifically designed for retailers. Magic Retail System comprises separate modules catering for stand-alone shops and small chain store operations such as gift shops, speciality stores and fashion chains, and businesses with larger number of retail outlets such as supermarkets and large chain stores. The chain stores version is usually sold to retailers which have

GENERAL OVERVIEW OF THE GROUP

larger number of outlets on customised basis. The Group will continue to provide customisation on the Retail solutions as and when required. The Group intends to upgrade the current Windows-based Retail solutions onto Internet platform.

Retail solutions



For each of the two years ended 31st March, 2000, the fees for developing customised solutions represented 29.3% and 30.6% of the total turnover of the Group respectively.

4. Traditional packaged software

The Group has developed a series of Windows-based packaged software which includes retail, trading, manufacturing and accounting software solutions. Apart from manufacturing software solution, these packages are fully integrated with each other. This series of Windows-based packaged software supports various operating platforms and entry in English, as well as traditional and simplified Chinese characters. As mentioned above, the Group is now focusing on the development of Internet-based CyberM Business Series built on this series of packaged software. The Directors expect that this series of Windows-based packaged software will gradually phase out. In addition, the Group also resells software products of other IT vendor(s) in Hong Kong.

Sale of packaged software which include the sale of self-developed packaged software and the sale of software products of other IT vendor(s) accounted for 30.6% and 22.5% of the Group's total turnover for each of the two years ended 31st March, 2000 respectively. With the focus on Internet-based CyberM Business Series and CyberM Mobile Series using ASP approach on a monthly rental basis, the Directors expect that the turnover on sale of the traditional packaged software will decrease while rentals from the Internet-based CyberM Business Series and CyberM Mobile Series will become the main constituent of the turnover.

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CUSTOMER SERVICES

The SMEs, the targeted customers of the Group, are usually budget-tight and cannot afford to maintain a separate department to provide information system support. The Group, as part of its quality management, places great emphasis on the provision of comprehensive and efficient after-sale maintenance services and technical support to purchasers of both the customised business application solutions and the packaged software.

The Group provides a customer service hotline to answer enquiries from customers during usual business hours, i.e. from 9am to 6pm. If the problem cannot be resolved over the phone, the Group will access the customer's system via modem dial-up. A six-month warranty is given to each customer. For the customers purchasing customised business application solutions, the Group will arrange its staff to carry out an on-site visit to help the customer to solve the problem if the same cannot be resolved via modem dial-up. The Group has also operated a 24-hour contingency plan for the customers purchasing customised business application solutions. Technical staff will deal with enquiries after normal office hours and provide technical support if necessary. The contingency plan ensures that there are sufficient staff to handle emergencies as and when required. Upon the expiration of the warranty period, the Group will continue to provide technical support and maintenance services to its customers on regular fee basis. The Group also provides technical support and maintenance services for other hardware and/or software manufacturer.

With the launch of Internet-based CyberM Business Series and CyberM Mobile Series, the customers will be able to access the solutions anytime and anywhere. Customer services on an around-the-clock basis will be necessary. In addition to the customer services hotline which is available during usual business hours, an e-mail based enquiry service will be set up in the third quarter of the year 2000 to deal with enquiries anytime. The Group will endeavour to respond to customers' enquiries within a specific time. As the executable program code of these Internet-based solutions will be located in the hosting server(s) of the ASPs providing the infrastructure, instant technical support can be provided to deal with any problem of the software program. The Directors believe that the Group, with years of experience in providing hotline enquiries service during usual business hours and the around-the-clock emergency plan mentioned above, is well prepared and competent to provide 24-hour services to its customers.

The way of providing technical support and maintenance services is currently being modified following the transformation of the Group into a mobile B2B eBusiness solutions provider. As Internet-based solutions supplied or to be supplied by the Group are on an ASP approach, the ownership of Internet-based solutions remains with the Group, and the Group undertakes the responsibilities associated with initial and ongoing maintenance.

The Group will provide updated business application solutions, and technical support and maintenance services to the customers subscribing for the ASP services of CyberM Business Series and CyberM Mobile Series. All these charges will be covered by the monthly rental payment of the ASP services.

For each of the two years ended 31st March, 2000, turnover derived from the fees for technical support and maintenance services represented approximately 13.5% and 15.2% of the total turnover of the Group respectively. However, as the Group will focus on the provision of CyberM Business Series and CyberM Mobile Series using ASP approach, the sale of Windows-based packaged software will be reduced. The Directors expect that the fees for technical support and maintenance services to be received by the Group as a separate item will also decrease accordingly.

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REVENUE MODEL

The revenue model of the Group consists of five major revenue sources as detailed below:

Revenue source	Description
Computer hardware	Revenue is derived from the sale of computer hardware as part of the Group's customised business application solutions.
Packaged software	Revenue is primarily derived from the sale of the Group's packaged business application solutions.
Customised business application solutions	Revenue is derived from the software development and implementation services as part of the Group's customised business application solutions.
Monthly subscription of business solutions	Revenue is derived from the monthly subscription fees for CyberM Business Series and/or CyberM Mobile Series under the ASP approach.
Customer services	Revenue is mainly derived from the provision of comprehensive after-sale maintenance services and technical support to the customers of the Group's products.

PURCHASES

The Group primarily provides business application solutions developed by the Group. The Group purchases development tools and platform, deployment tools and platform and software products from other IT vendors in the development and deployment of its applications. For each of the two years ended 31st March, 2000, the purchase of software products from ISVs amounted to HK\$718,000 and HK\$1,710,000 respectively.

The Group may provide hardware products as part of the total solutions to its customers. The Group therefore usually makes back-to-back ordering and has kept limited inventory. The purchase of hardware by the Group amounted to HK\$5,080,000 for the year ended 31st March, 2000, representing 71.9% of the total costs of sales and the sale of the hardware represented 31.6% of the total turnover for the year ended 31st March, 2000.

For the year ended 31st March, 2000, the purchases are primarily made on credit basis ranged from cash on delivery to 90 days and settled in Hong Kong dollars. To date, the Group has not experienced any major difficulties in obtaining adequate purchases to meets its needs.

GENERAL OVERVIEW OF THE GROUP

SALES AND MARKETING

Sales

The traditional way of sale of the Group's Windows-based packaged software mainly through its direct sales force will undergo substantial changes after the official launch of Internet-based CyberM Business Series in the third quarter of the year 2000. Unlike the traditional way of distributing Windows-based packaged software through its direct sales force, Internet-based CyberM Business Series will be delivered via the Internet. The Directors expect that the business application solutions will be mainly hosted by ASPs to take advantage of the customer base of such ASPs and be available to the registered customers of such ASPs. For customised business application solutions, they are and will continue to be sold by the direct sales force of the Group.

For the year ended 31st March, 2000, the sales are primarily made on the bases of contract deposit account, open account and cash on delivery and settled in Hong Kong dollars.

Marketing

The Group promotes its products through advertising, participation in seminars, conferences and exhibitions on a regular basis. By joining as a partner of the Asian Solutions Centre, the Group promotes its products through the Asian Solutions Centre to potential customers in Asia through various joint marketing activities such as exhibitions and road shows. It has from time to time set up demonstration in the two showrooms in Hong Kong run by the Asian Solutions Centre. The Group will also promote its products jointly with the ASPs. The Directors believe that the aforesaid joint marketing activities will further enhance the public profile of the Group's products and brand name.

The Group's direct sales force would directly contact potential customers, maintain contacts with them and perform demonstration of its products. While promoting new products, the sales staff would from time to time collect feedback from the users as a basis for future development of new products or enhancement of existing products, so as to meet the changing needs of the Group's customers.

For each of the two years ended 31st March, 2000, the sales and marketing expenses were HK\$299,000 and HK\$612,000, representing 2.4% and 3.3% of the total turnover of the Group respectively.

Trademarks

In May 2000, the Group applied for trademark registration of its "CyberM" trademarks as described on page 170 of this prospectus. The Trade Marks Registry has, by letters dated 31st July, 2000, indicated to the Group that "CyberM Business", "CyberM Mobile", "CyberM Retail" and the "CyberM" trademarks are indistinctive and are therefore prima facie unacceptable for registration subject to the right of the Group to lodge appeals against the prima facie objections. The Group will review the prima facie objections of the Trade Marks Registry with its legal advisers and will file appeals within the statutory period allowed, being 6 months from the date of the letters of the Trade Marks Registry. However, there is no guarantee that such appeals or the application for registration will be successful or if successful, will not be subject to disclaimers or limitations. The Directors are not aware of any risk of trademark infringement by the Group under the relevant trademark classes even if the trademark registration is unsuccessful and believe that the Group's new products rely mainly on quality rather than on any brandname or trademark effect. The Group continues to market its traditional packaged software under the name of "Magic" whereas the Internet-based business

GENERAL OVERVIEW OF THE GROUP

application solutions and mobile and wireless computing will be promoted under the trademarks of CyberM Business Series and CyberM Mobile Series respectively, for the purpose of building up the Group's proprietary intellectual property right and differentiating its product lines. According to a recent trademark search, trademark registration in respect of the names "Magic" and "CyberM" were not found under the relevant classes. Although the Directors believe that there is no likelihood of trademark infringement, as a contractual obligation, the Group relies on the written consent of Magic Software Enterprises Limited, a company incorporated in Israel, which is independent from the Group, to the use of the "Magic" brandname, the Directors believe that there will be no adverse impact on the Group even if the consent is withdrawn as the Group's business relies mainly on the quality of its products and services rather than on any brandname or trademark effect.

RESEARCH AND DEVELOPMENT

The Directors have placed great emphasis on the development of cost-competitive new business application solutions in timely response to rapid technological changes and the changing needs of customers. More than 50% of the Group's human resources are dedicated to the R & D work. The team possesses strong capabilities in the development of Internet-based B2B eBusiness solutions and the application of mobile and wireless computing technologies. In November 1999, the Group soft-launched its self-developed Internet-based CyberM Business Series in Hong Kong which, the Directors believe, is one of the first Internet-based B2B eBusiness solutions designed for the SMEs in the Greater China Region.

To further enhance its capabilities on the R & D, the Group signed a collaboration agreement with Sybase HK in May 2000 for the development and promotion of Internet-based CyberM Business Series and mobile and wireless solutions, and a B2B enterprise portal, the details of which are set out in the paragraph headed "Business and Technical Alliance". Applying mobile and wireless technologies in its CyberM Business Series, the Group developed, with the technical assistance of Sybase HK, CyberM Mobile Series supporting palm-top and mobile phones.

With the efforts of the R & D team, the Group has been able to respond to the customers' changing needs by applying the latest technologies to the development of new products or enhancement of existing products. In addition to the aforesaid CyberM Business Series and CyberM Mobile Series, the Directors believe that the Group was one of the first software companies introducing packaged software in Chinese version designed for local SMEs. The Group has been able to deliver new functions and features to customers regularly to satisfy their needs. The Directors believe that the Group is one of the first Hong Kong-based software companies being awarded ISO9001 certification for its products.

For the year ended 31st March, 2000, the R & D expenses amounted to HK\$3.0 million, representing approximately 16.1% of the total turnover of the Group and an increment of 2.0% from the previous year's R & D expenses. The Directors estimate that the R & D expenses will increase by approximately 30% annually for the next two years. As the Group places great emphasis on the development of mobile B2B eBusiness solutions, the R & D team of the Group will focus on the upgrading of its products onto the Internet platform and the addition of more value-added features to its products. Resources will be allocated to the development of its CyberM Business Series and CyberM Mobile Series. The Group will conduct further research on mobile and wireless computing technologies and will continue to research on the interface with hardware and different mobile computing devices.

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QUALITY MANAGEMENT

It is the policy of the Group to provide quality business application solutions and services to its customers. Since 1997, the Group has established a quality management system based upon the applicable requirements of ISO9001 and strict adherence to the steps and procedures are required from all the staff of the Group. Regular review of the quality system will be conducted to ensure the effectiveness and suitability of the quality system.

Quality of Products

In response to the changing needs of its customers, the Group has placed great emphasis on the continuous development of new products and the enhancement of existing products. To maximise the use of its financial and human resources, feasibility studies will be conducted on every project proposed to ensure the viability of the project concerned. Every product developed will have to fulfil stringent testing and program quality control benchmarks to eliminate defects and to ensure stability. The Group's quality management continues after every sales and installation. The Group has made tremendous efforts to enhance customer satisfaction with its products.

Customer Satisfaction

Apart from the provision of customer support and services, details of which are set out in the paragraph headed "Customer Services", the Group has implemented a number of check points to ensure that every enquiry or complaint is answered and every problem is fixed to the customer's satisfaction within specific time frame. To further improve the quality of its services, the Group has taken measures to review from time to time the number of calls/complaints together with the response time for early problem detection and the implementation of remedial measures. The Group also provides training courses. For customised business application solutions, on-site support will be provided to its customers if required. The products will generally be upgraded on a regular basis.

BUSINESS & TECHNICAL ALLIANCE

Strategic Partnership with Sybase HK

In May 2000, the Group signed a collaboration agreement with Sybase HK forming a strategic alliance for the development and promotion of CyberM Business Series applicable to the trading business in Hong Kong, Taiwan and the PRC, the application of mobile and wireless computing technologies to CyberM Business Series and the development of a B2B enterprise portal. The business application solutions developed with the assistance of Sybase HK will be launched and promoted through the Asian Solutions Centre. Since the business application solutions so developed will have to use the development tools and platform, deployment tools and platform and software products of Sybase HK, the popularity of such business application solutions will bring to Sybase HK a stream of revenue. The Group will own all right, title and interest (including all intellectual property rights) in and to the applications and products created, developed or invented under the collaboration agreement.

Sybase HK is a wholly-owned subsidiary of Sybase Inc.. Sybase Inc. is headquartered in the State of California, US and has been listed on Nasdaq since August 1991. Sybase Inc. is one of the largest global independent software companies and is a leader in the growing mobile and embedded computing market. Sybase Inc. concentrates on the development of enterprise portal, mobile computing and vertical e-solution. The Group's strategic partnership with Sybase HK would greatly enhance its R & D capabilities in mobile and wireless computing technologies, the development of

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CyberM Mobile Series and the B2B enterprise portal to be developed by the Group. By applying mobile and wireless computing technologies to Internet-based B2B CyberM Business Series, the users will be able to make decisions and conduct business almost anytime and anywhere through mobile devices. The B2B enterprise portal will be effectively integrated with CyberM Business Series and CyberM Mobile Series to serve as a one-stop information centre from where the customers can on-line access publicly available information in addition to their information.

Establishing business and technical alliance with a strategic partner such as Sybase HK would allow the Group to leverage its current core products and upgrade its R & D capability. Thereby, the Group will be able to expand its market share by providing powerful new business application solutions that deliver and perform on the promise of e-commerce.

Asian Solutions Centre

The Group is one of the partners of the Asian Solutions Centre which is set up jointly by HKPC and Sybase HK. The Asian Solutions Centre is set up to provide a platform whereby the partners of the centre can provide business solutions to companies in various industries and promote the sharing of information technology and ideas among companies in Asia. It also serves to speed up the commercialisation of local information technology products and promote such products to international market through various joint marketing activities such as exhibitions and road shows. The Asian Solutions Centre currently has two showrooms in Hong Kong where different software solutions are exhibited and demonstrated.

As a partner of the Asian Solutions Centre, the Group is entitled to, among others, the use of software programs of Sybase HK and consulting and training services provided by Sybase HK. The Group is also entitled to promote its own solutions developed under the Asian Solutions Centre in both the local and the Asia market through the centre's resources and network in Asia and the joint marketing efforts organised by the centre with other partners provided that in such event, the Group will be responsible for installing such solutions and providing technical support, training service and marketing for the solutions. Such partnership would further strengthen the Group's relationship with HKPC and Sybase HK.

The Group intends to continue to develop business and technical alliances with established international IT companies and local business partners.

INTERNAL CONTROL

The Group has enforced an internal control system to ensure proper internal management, accounting and financial reporting for the Group. In addition, the Group has recruited two qualified accountants who are the executive Director and the finance manager of the Group in 2000 to strengthen its management team.

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COMPETITION

In response to the surge of B2B Internet commerce activities brought by the rapid growth in the number of Internet users, the Group has transformed itself from a traditional software developer to a mobile B2B eBusiness solutions provider using ASP approach, differentiating itself from the traditional ERP solution providers and software houses whose solutions are still Windows-based or text-based. The Directors believe that such solutions would become obsolete and unmarketable in view of the emergence of Internet-based solutions.

The Group may face significant competition from other ISVs which have also moved into this area in view of the growth potential. However, the Directors consider that the Group has a niche in the market as follows despite the intense competition from overseas and local competitors.

- The Group has started developing Internet-based CyberM Business Series since 1998. The Directors believe that the Group, being one of the first movers, has established an early presence in the ASP market in Hong Kong. Over 4,000 user licences have been sold to customers including both larger enterprises and SMEs, which will serve as an established customer base for growth.
- CyberM Business Series and CyberM Mobile Series developed by the Group are Internet-based solutions and the Directors believe that CyberM Mobile Series built on CyberM Business Series is one of the first mobile B2B eBusiness solutions designed for the SMEs in the Greater China Region.
- With the Group's experience and understandings of the unique business characteristics of the SMEs in Hong Kong over the past nine years, the Group's mobile B2B eBusiness solutions are developed specifically for the local business environment and will be offered at an affordable price to SMEs. On the other hand, the Directors believe that Internet-based products with similar functions are mostly developed by large overseas software development companies that are generally targeted at large corporations which usually require more sophisticated systems and customisation and are generally not affordable by the local SMEs.

COMPETING BUSINESS

The Directors confirm that there is no competing business conducted by any shareholder or director of the Company.

CONNECTED PARTY TRANSACTION

The Directors confirm that there is no connected transaction under the GEM Listing Rules.