
STATEMENT OF ACTIVE BUSINESS PURSUITS

FOR THE YEAR ENDED 31ST MARCH, 1999

REVENUE AND BUSINESS DEVELOPMENT

During this period,

- the Group focused on the software development and the sales of business application solutions;
- the Group sold its packaged software through Msoft Systems Limited in which the Group had 40% equity interest in order to expand the sales of its packaged software into new market such as electronics industry by leveraging on the industry knowledge of the business partner, an independent third party, of Msoft Systems Limited; and
- the Group carried out various marketing activities such as advertising, conducting seminars, and participation in tradeshows including Software Exhibition, Computer Expo and Asian Expo 98.

For the year ended 31st March, 1999, the sale of packaged software and the fees for developing customised solutions amounted to HK\$3,781,000 and HK\$3,610,000, representing 30.6% and 29.3% of the total turnover respectively.

Note: Msoft Systems Limited has become dormant since 1st April, 1999 and was disposed of by the Group on 30th December, 1999. Since the disposal, it 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.

PRODUCTS AND SERVICES

During this period, the Group sold the following products and provided the following services:

- Packaged Software
 - Magic Accounting System and Magic Trading System which were upgraded from DOS platform to Windows-based platform in the second quarter of the year 1998; and
 - new Windows-based Magic t-Business and Magic Retail System were launched in the fourth quarter of the year 1998; and
- Customised Business Application Solution Service
 - the Group continued to provide customised business application solution services to its customers based on its packaged software.

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R & D

During this period,

- the Group continued to focus on the R & D of its Internet-based business application solution and in June 1998, the first Internet-based prototype solution was tested. By December 1998, the Group was capable of applying the web on-line technique.
- the Group began to develop interface between Magic t-Business and Tradelink's electronic custom declaration system.

HUMAN RESOURCES

As at 31st March, 1999, the Group had a full-time workforce of 27 engaged in the following operations:—

Management	4
Sales and Marketing	5
Technical/Engineering	4
Finance and administration	2
R & D	9
Customer Services	<u>3</u>
Total	<u><u>27</u></u>

FINANCIAL

A Summary of the audited results of the Group for this period is set out in the "Trading Record" under the section headed "Financial Information" in this prospectus.

For the year ended 31st March, 1999, the Group recorded a total turnover of HK\$12.3 million which comprised sale of computer hardware, sale of packaged software, fees for developing customised solutions and fees for technical support and maintenance services in the proportion of 26.6%, 30.6%, 29.3% and 13.5% of the total turnover respectively. For this period, sales returns accounted for 0.5% of the total turnover and no sales contract had been cancelled. Net profit for this period amounted to HK\$1.16 million.

FOR THE YEAR ENDED 31ST MARCH, 2000

REVENUE AND BUSINESS DEVELOPMENT

During this period,

- the Group continued to concentrate on the software development and the sales of business application solutions;

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- the Group carried out various marketing activities such as advertising, participation in the Computer Expo, Asian IT Expo 99, Sybase Techwave Australia 2000, Win 2000 Solution Fair, China Hi-Tech Fair in Shenzhen and “Innovation 2000” organised by the Industry Department of Hong Kong;
- Mr. Lau co-founded Information and Software Industry Association in July 1999 to promote the IT industry in Hong Kong, further enhancing the Group’s profile in the IT industry; and
- the Group began to adopt the ASP approach in view of the imminent boom of ASP market.

For the year ended 31st March, 2000, the sale of packaged software and the fees of developing customised solutions amounted to about HK\$4,211,000 and HK\$5,719,000, representing 22.5% and 30.6% of the total turnover. The balance of the total turnover comprised sale of computer hardware, fees for technical support and maintenance services and rental income, which amounted to about HK\$5,932,000, HK\$2,847,000 and HK\$11,000, representing around 31.6%, 15.2% and 0.1% of the total turnover respectively.

PRODUCTS AND SERVICES

During this period, the Group sold the following products and provided the following services:

- Packaged Software:
 - Magic Accounting System;
 - Magic Trading System;
 - Magic Retail System; and
 - Magic t-Business.

More features were added to Magic Accounting System, Magic Trading System and Magic t-business; and

- Customised Business Application Solution Service
 - the Group continued to provide customised business application solution services to its customers based on its packaged software; and
- Internet-based CyberM Business Series
 - new Internet-based CyberM Business Series was soft-launched to the existing customers in November 1999. The Directors believe that it is one of the first Internet-based B2B eBusiness solutions designed for the needs of the SMEs in the Greater China Region.

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R & D

During this period,

- the Group completed the testing of Internet-based CyberM Business Series in June 1999 and the series was ready for soft-launching in November 1999;
- the Group focused on the further development of Internet-based CyberM Business Series;
- the Group started to focus on the R & D in the application of mobile and wireless computing technologies to mobile computing devices such as palm-top and mobile phones;
- the Group developed technical interface with Tradelink on CyberM Business Series; and
- the Group entered into a memorandum of understanding with Sybase HK in January 2000, inter alia, to develop and promote CyberM Business Series, the application of mobile and wireless computing technologies to CyberM Business Series and a B2B enterprise portal. By deploying the expertise of Sybase HK in mobile and wireless computing technologies, the Group carried out the R & D in the application of mobile and wireless computing technologies to develop CyberM Mobile Series. A remote computing demonstration solution, through mobile devices supporting palm-top and mobile phones, was successfully developed by the Group with the technical assistance of Sybase HK in January 2000.

EXPANSION AND BUSINESS ALLIANCE

During this period,

- to streamline the operation, the Group moved to its present office which houses the whole Group in a single unit; and
- the Group entered into various business and technical alliances:
 - signed a memorandum of understanding in January 2000 with Sybase HK to develop and promote CyberM Business Series, the application of mobile and wireless computing technologies to CyberM Business Series and a B2B enterprise portal; and
 - joined as a partner of the Asian Solutions Centre.

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HUMAN RESOURCES

To cope with the expansion of the business, the number of staff was increased from 27 to 38 as at 31st March, 2000. They were engaged in the following operations:—

Management	5
Sales and Marketing	6
Technical/Engineering	7
Finance and administration	3
R & D	13
Customer Services	<u>4</u>
Total	<u><u>38</u></u>

FINANCIAL

A Summary of the audited results of the group for this period is set out in the “Trading Record” under the section headed “Financial Information” in this prospectus.

During this period, the Group achieved a growth in both turnover and profits. The Group’s turnover increased by 51.7% to HK\$18.72 million. Total turnover (excluding sales of computer hardware and rental income of about HK\$5.94 million which comprised approximately 31.7% of the total turnover) experienced a growth of 41.0% as compared to the year ended 31st March, 1999. Sales returns accounted for 0.4% of the total turnover and no sales contract had been cancelled during this period. The Group assesses the collectibility of each individual accounts receivable balance and records provision against specific doubtful balances whenever consider necessary, which include some aged and slow payment accounts even with no dispute. During the year ended 31st March, 2000, provision of bad and doubtful debts was approximately HK\$1.31 million, comprising general provision of approximately HK\$0.22 million and specific provision of approximately HK\$1.09 million for slow-moving outstanding debts. The combined profits of the Group for the period increased by 32.6% to HK\$1.54 million. The improvement is mainly attributable to the Group’s effort in advertising and promotion activities and the emphasis on software development works to keep pace with the market needs and technological changes.

CyberM Business Series was only soft-launched in November 1999. Although this series accounted for an insignificant contribution to the Group’s turnover for the year ended 31st March, 2000, the Directors expect that the turnover of the Series will increase following the official launch of the same in the third quarter of the year 2000.

FOR THE PERIOD FROM 1ST APRIL, 2000 TO THE LATEST PRACTICABLE DATE

REVENUE AND BUSINESS DEVELOPMENT

During this period,

- CyberM Mobile Series supporting palm-top and mobile phones was soft-launched in May 2000;

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- the Group conducted various marketing activities such as holding product seminars with Asian Solutions Centre and mobile and wireless computing symposium with HKPC and participating in tradeshow of Computer Expo; and
- the Group continued to focus on the development of Internet-based B2B eBusiness solutions.

PRODUCTS AND SERVICES

During this period, the Group sold the following products and provided the following services:

- Packaged Software:
 - Magic Accounting System;
 - Magic Trading System;
 - Magic Retail System; and
 - Magic t-Business; and
- Customised Business Application Solution Service:
 - the Group continued to provide customised business application solution services to its customers based on its packaged software; and
- Internet-based B2B eBusiness solutions:
 - CyberM Business Series.

R & D

During this period, the Group

- conducted further R & D in Internet-based CyberM Business Series;
- conducted further R & D in mobile and wireless computing technologies especially in WAP technology; and
- conducted further research on CyberM Business Series to provide more value-added interfaces to its users.

EXPANSION AND BUSINESS ALLIANCE

During this period, the Group

- entered into a collaboration agreement with Sybase HK in May 2000;
- entered into an arrangement with a major international bank to explore the possibility for embedding the bank's payment interface into CyberM Business Series; and

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- entered into a co-operation agreement and a supplementary agreement on 14th May, 2000 and 19th July, 2000 respectively with Corp2net.com Limited, an ASP and a wholly-owned subsidiary of DigiTel Group Limited which has been listed on GEM since July 2000, to jointly promote CyberM Business Series to the customers of Corp2net.com Limited and CyberM E-commerce Limited through www.corp2net.com after the launch of CyberM Business Series in the third quarter of the year 2000.

FINANCIAL

During the period, the Group achieved turnover and net profit after taxation of approximately HK\$2.9 million and HK\$0.4 million respectively. Further R & D in CyberM Business Series and CyberM Mobile Series have been carried out by the Group. The Group commenced marketing and promotion of CyberM Business Series during this period.