
GENERAL OVERVIEW OF THE GROUP

HISTORY AND DEVELOPMENT

Mr. Lok, the founder of the Group, commenced his career in the development of system software in the 1980s and was subsequently engaged in the development and sale of customized system software in Hong Kong. In 1986, recognising the huge market potential for enterprise application software, he started to concentrate his efforts on the development of such category of application software. In 1987, Mr. Lok established FlexSystem Limited for the development and provision of enterprise application software. The Group's first series of enterprise application software was launched under the "FlexAccount" brandname within the same year. In 1988, an enhanced version of the FlexAccount products was released.

In 1990, the Group adopted an object-oriented programming technology for the purpose of building applications based on reusable objects or components. The Directors believe that such adoption allowed the Group to greatly reduce its development and maintenance costs of application software as compared to using traditional programming methods. Based on this programming concept, the Group re-designed and re-organized various modules of the FlexAccount products for enhanced performance. In 1996, "FlexAccount for Windows" was launched as a result of the Group's efforts in adapting the FlexAccount products for the Windows environment.

In early 1997, the Group extended its business to the PRC by setting up a subsidiary in Shanghai and commenced the localisation of FlexAccount products for the PRC market. The Shanghai office provides sales and marketing, programming, research and development, customer support and quality control services. In the same year, the Group's finance and accounting application software was certified by the Shanghai Municipal Finance Bureau to be in compliance with the accounting standards in the PRC and for its capability to fulfil the requirements of various PRC government units.

In 1997, the Group, in collaboration with SiTech, developed and launched SiTechFlex, an Internet-based workflow and accounting software package. The Directors believe that the result of such co-operation represented a technological breakthrough for the Group and for the PRC market at that time. Based on the experience gained in developing SiTechFlex, the Group commenced research in developing its own Internet enabling technology, which subsequently led to the development of Soma*AI. During the same year, another upgraded version of FlexAccount products was also released to the market.

The Group's second research and development center, which focuses on object-based development, was set up in Macau in February 1999. This arrangement enables the Group to strengthen its research and development capabilities and exploit the relatively lower operating cost environment in Macau. Object-based development refers to the design and development of basic components to be used as building blocks for construction of application software.

During the first half of 1999, the Group completed development of its own Internet enabling technology — "N-Terprise Server" which was later renamed as "Soma*AI". In the same year, the Group developed its ASP model by deploying FlexAccount products on the Internet using the Soma*AI technology.

In April 1999, the Group entered into a distribution agreement with Beijing Winner for the distribution of FlexAccount products in Beijing. The Directors believe that such alliance was an important milestone for the Group's expansion into the PRC market as Beijing Winner was one of the

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leading software houses in Beijing and its established distribution network would facilitate the introduction of FlexAccount products into the PRC market. In addition, the Group strengthened its distribution network in the PRC by establishing distribution channels in Beijing in early 1999 to coordinate sales activities in the respective areas.

In early 2000, three additional distribution channels for the FlexAccount products were set up in Guangzhou, Dalian and Changshu.

The Group first tapped into the ASP market in March 2000 by launching the FlexAccount Data Center. This service allows users to outsource application deployment and IT infrastructure by means of subscribing to a wide range of application software developed by the Group via the Internet.

The Company was incorporated on 8th May, 2000 and became the holding company of the Group pursuant to the group reorganisation exercise which is described in the section headed “Corporate reorganisation” in Appendix IV to this prospectus.

The Group is currently preparing for the establishment of another new research and development centre in Malaysia. This set up is expected to further the Group’s research and development efforts while allowing it to take advantage of the relatively low operating cost environment in Malaysia.

STATEMENT OF ACTIVE BUSINESS PURSUITS

The following is a statement of active business pursuits of the Group for the two years ended 31st March 2000 and for the period from 1st April, 2000 to the Latest Practicable Date:

For the year ended 31st March, 1999

Sales and Marketing

- Launched the Group’s official homepage (www.flexsystem.com) which provides corporate information about the Group and brief descriptions of the products and services of the Group
- Set up implementation team (comprising 13 members as at the Latest Practicable Date) to provide additional advisory services customers relating to the implementation of FlexAccount products as part of a complete enterprise solution
- Set up distribution channel in Beijing by appointing distributors in the northern parts of the PRC to complement marketing efforts of the Group’s Shanghai office

Research and Product Development

- Set up research and development center in Macau with a focus on object based development which relates to the design and development of basic components to be used as building blocks for construction of an application software
- Completed the development of SiTechFlex, an Internet-based workflow and accounting software package

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- Commenced the development of Soma*AI, the Group's proprietary Internet enabling technology
- Continued the development of the infrastructure for the FlexAccount Data Center

Award and recognition

- Ranked as the foreign finance software house with the largest number of installations approved by the Shanghai Municipal Finance Bureau in 1998

For the year ended 31st March, 2000

Sales and Marketing

- Commenced sales and marketing activities including advertisements in various media and participation in trade shows and exhibition, to promote its ASP services in Hong Kong
- Set up distribution channels and appointed additional distributors for sales activities in Guangzhou, Dalian and Changshu

Research and Product Development

- Completed the development of its proprietary Internet enabling technology, Soma*AI
- Integrated existing FlexAccount products with the FlexAccount Data Center and studied the potential for other applications to be deployed via the FlexAccount Data Center
- Prepared for the establishment of a new research and development center in Malaysia for business logic development, which relates to the design and integration of functions which can execute rules for business logic into software products

Corporate Development

- Formed a distribution alliance with Beijing Winner, a software house for distributing FlexAccount products in Beijing

Award and Recognition

- Selected by JETRO as one of the twelve Hong Kong companies to exhibit their products at the annual World PC EXPO 2000 to be held in Japan in October 2000

For the period from 1st April, 2000 to the Latest Practicable Date

Sales and Marketing

- Continued to focus on sales and marketing activities for FlexAccount Data Center in Hong Kong
- Set up distribution channel in Changshu to coordinate sales activities

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- Set up a branch office in Taiwan for coordinating sales and marketing of the FlexAccount products and preparation for the expansion of FlexAccount Data Center to the Taiwan market
- Increased the number of sales and marketing personnel in Hong Kong and the PRC to 33
- Liaised with potential business partners with a view to facilitating the introduction of the services of FlexAccount Data Center in Hong Kong, the PRC, Taiwan, Malaysia and Singapore and entered into letters of intent with various partners for ASP services in Hong Kong, the PRC and Taiwan. For details of these alliances, please refer to the paragraph headed “Strategic alliance” on pages 62 to 64

Research and Product Development

- Completed the initial phase of integration of FlexAccount products (including accounting, distribution and logistics, manufacturing, payroll, human resources management, online point-of-sales and online stock brokerage) with Soma*AI
- Completed the development of the infrastructure for FlexAccount Data Center
- Completed the prototype of an enhanced version of the FlexAccount Financial Management System and continued to fine-tune its functionality, which offers more options in reporting, new inquiry functions and more powerful consolidation functions
- Continued to improve its efficiency and performance of one of the FlexAccount products - FlexAccount Financial Information ON-line by increasing its data retrieval speed by five times
- Commenced the operation of the research and development center in Macau
- Continued to prepare for the establishment of a research and development center for business logic development in Malaysia
- Commenced the localization of the FlexAccount products for Taiwan

Intellectual Property Rights

- Submitted applications to register its trademarks for “FLEXSYSTEM & device” in Hong Kong
- Submitted applications to register its trademarks for “Soma*AI” in Hong Kong, the PRC, Taiwan, Malaysia and Singapore
- Submitted applications to register its trademarks for “FlexAccount” in the PRC, Taiwan, Malaysia and Singapore
- Submitted application to register its trademark for “FION” for FlexAccount Financial Information ON-line software in Hong Kong

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Award and recognition

- Recognized by the Shanghai Municipal Finance Bureau, SCSTDC and SSBA as the only Hong Kong-based finance and accounting software company in Shanghai
- Certified by NSTC in recognition of the high standards of the technological capabilities of Soma*AI

GROUP STRUCTURE

The structure of the Company's principal subsidiaries upon the listing of the Shares on GEM and their respective places of incorporation and principal activities are as follows:

