

ENTERPRISE SOFTWARE

The Group develops, markets and supports enterprise software products that operate on multiple computing platforms. The enterprise software products developed by the Group are designed to provide a complete enterprise solution, which improves the efficiency of businesses in executing day-to-day operations and in reducing the operating costs of the customers' business. The products have been promoted under the brandname of "FlexAccount" for over 13 years. The FlexAccount products are able to support manufacturing, finance, distribution and human resources operations for companies of various sizes and participating in different industries. Some of the products have been specifically designed for certain industries which rely heavily on the control of material procurement and real time update of information input from diverse locations of operation, such as trading and retailing. In addition, the Group provides a complementary range of implementation, training and support services to its customers.

Products

Currently, the FlexAccount product suite comprises eight applications, representing a valuable cumulation of business knowledge and technical expertise. The Directors believe that each of these applications has the potential to become a leading solution in their respective business application areas. All of the FlexAccount products are Internet-enabled, except for the FlexAccount Garment Trading/Manufacturing System, and can be scaled up to handle high volumes of transactions in a multi-company environment and, most importantly, can be integrated with each other to provide a complete enterprise solution. The Directors believe that these factors render FlexAccount products suitable software applications to be offered in an ASP setup.

The FlexAccount products normally require minimal customisation when they are rolled-out and implemented for different customers. Customisation, if needed, usually forms part of the services provided by the Group to supplement the sales of the FlexAccount products.

1. FlexAccount Financial Management System

The FlexAccount Financial Management System is the Group's flagship product within the FlexAccount portfolio. By utilizing this application software, transactions within an organization can be updated through common input procedures and extensive reports across all ledgers, accounts, accounting periods and analysis can be readily available. The latest version of this application software was released in the third quarter of 1997. The Directors expect the next updated version of this application software to be available by the end of 2001.

Major features of this application software include:

Analytical Data Management The software features extensive user-definable, multi-dimensional and multi-level analysis, allowing various forms of financial analysis.

<i>Integrated Environment</i>	The software is based on an integrated ledger design which allows all kinds of transaction details to be collected from a common voucher entry. Features such as multi-currency, multi-company, consolidation, and report generator are built in the software. The combined ledger structure is designed to reduce the number of transactions required and hence to save time and reduce chances of error.
<i>Flexible Set Up</i>	The software is designed with a parameter driven structure which allows users to adjust the application to match business requirements. This feature reduces interruption to the existing system.
<i>User-Customized Interface</i>	The software allows users to customize the interface, enabling them to develop integrated solutions with third party products without extra implementation efforts. This flexibility facilitates its applicability for use in a wide range of vertical markets ranging from property management to manufacturing, retail management, sales and distribution, and others.
<i>Report Presentation</i>	The software contains both text reporting and visual presentation tools which enable users to present their data graphically.

2. **FlexAccount Financial Information ON-line**

This application is a component-based financial reporting tool for supporting management's decision-making processes. The latest version of this application software was released in the first quarter of 1997. The Directors expect the next updated version of this application software to be available by the end of 2001.

Major features of this application software include:

<i>Business Mapping Interface</i>	With this application, users can extract financial data for different ledgers and time periods via commonly used office applications such as Excel. This software is designed to create a user-friendly operating environment in which database columns are labeled by standard accounting terms.
<i>ActiveX Automation</i>	This application permits easy data conversion under the Windows environment. Instead of data import/export, it is a real-time on-line access from the commonly used office application to the central database. Due to its integration with Windows operating environment, the need of training and support for using this software in report writing will be greatly minimized.

Ease of Use

Its component-based design allows users to break complex reports into manageable query blocks. Hence, processes ranging from simple transaction document filtering to complex account grouping can be assembled to construct sophisticated financial reports by non-technical users without extensive training.

3. FlexAccount Distribution and Logistics System

This is an integrated financial management software solution designed to perform all business functions relating to trading business. The software allows users to monitor, track and analyse every order entry, so as to streamline workflow and facilitate efficient resource allocation. This software supports a multi-user environment which is compatible with most operating systems and also provides fully automated order entry and inventory processing. The software comes with a suite of order processing modules, including inventory control, purchase order and sales order. Furthermore, the software contains both order processing module and accounting module, which allows real-time accounting information update. The latest version of this application software was released in the second quarter of 1998. The Directors expect the next updated version of this application software to be available by the end of 2002.

Major features of this application software include:

Order Entry

The sales order and purchase order modules of this software fully automate the order entry and invoicing workflow. It helps users to keep track and control of orders received and issued. The module provides real-time customer and vendor information and inventory verification at the time of order entry. Confirmation of goods delivered or received will be recorded and reflected in the stock and accounting modules accordingly.

Inventory Control

The inventory control module of this software is designed to simplify the effort required for maintaining control of inventory items and allowing users to manage their inventory at desired level by providing information about stock valuation, stock movement and quantities held or committed.

Reporting

The software also comprises easy-to-use system tools for management information reporting. Report formats include detailed or abridged version of transaction history, periodic sales and purchase reports, inventory reports and comprehensive financial reports.

4. **FlexAccount MFG System**

This application software is a complete suite of multi-tier client/server based manufacturing control system covering accounting, inventory control, sales/purchase order handling, manufacturing order control, bill of materials, engineering change note and material requirement planning. The functions assist users to maintain all kinds of production-related information, to monitor and schedule the manufacturing cycle with an aim to attain optimum efficiency while maintaining a minimum amount of stock.

The software provides users with global access to production information. Multiple users around the world can simultaneously log-on to the central server. The latest version of this application software was released in the fourth quarter of 1997. The Directors expect the next updated version of this application software to be available by the end of 2002.

Major features of this application software include:

<i>Master Production Schedule</i>	This software facilitates review of management information such as those relating to production, staffing and inventory at an aggregate level, paralleled with budgeted amounts for a pre-defined time period for comparison.
<i>Sales Order</i>	This software compares stock level with orders received. Reports will be generated when the order exceeds inventory level in accordance with the memory code setting defined by users.
<i>Purchase Order</i>	This software allows users to input suppliers' quotes and orders. Status of the open order can be reviewed through on-screen enquiry. Outstanding and overdue order can be closely tracked. Detailed vendors analysis about purchase price, contract price, vendor lead times and vendor stock level can be generated any time.
<i>Manufacturing Order</i>	This software assists users to maintain a complete manufacturing record. A manufacturing order can be automatically initiated. Relevant information will also be updated automatically throughout the manufacturing cycle from work order entry to complete job costing report.
<i>Inventory Control</i>	Sales and purchase information is continuously compared for inventory control. By maintaining an updated record of stock items, inventory level can be balanced with customers' orders to ensure "just-in-time" shipment without overstocking.

<i>Bill of Materials</i>	This software provides a comprehensive quantitative listing of raw materials, parts and labour components required in the assembly or manufacture of finished products. The software assists in maintaining accurate and updated records about the production process.
<i>Material Requirement Planning</i>	This software assists users to attain optimal inventory level by allowing users to establish a capacity planning to determine the amount of material required during various phases of the production process, balance the supply and demand for all components required to satisfy the master production schedule, thereby utilizing production resources more effectively.
<i>Purchase Requisition</i>	This software facilitates the management of purchase requisition process. The purchase requisitions can be categorised by manufacturing order or by sales order. Each requisition generated will have a unique tracking number, which allows users to monitor the status at all times.

5. FlexAccount Payroll & MPF System

This software allows users to keep track of employees' payroll information, handle allowances and deductions, calculate taxes and also initiates payment transactions via banking system and print customizable payroll forms and reports. When this software is integrated with the FlexAccount Financial Management System, it will facilitate automated update of relevant payroll figures of the company's financial statements. The latest version of this application software was released in the second quarter of 2000. The Directors expect the next updated version of this application software to be available by the end of 2003.

Major features of this application software include:

<i>Easy MPF Calculation</i>	The software will capture employees' information including MPF ratio onto the master file. Monthly MPF calculation can be completed automatically. Once the MPF system comes into operation, it is expected that MPF reports can be forwarded via the Internet to the MPF provider for consolidation.
<i>Taxation</i>	The software has incorporated a tax computation module which is in compliance with the requirements of the Inland Revenue Department in Hong Kong. A variety of deductions and allowances can be defined with parameter driven calculation formula. The result can be outputted to file according to the format required by the tax authority.
<i>Autopay via e-banking</i>	Monthly payroll will be calculated and effected through the banking system automatically.

Since it will become mandatory for most employers and employees in Hong Kong to adopt the MPF scheme by the end of 2000, the Group plans to integrate this software as an online MPF/payroll system by then. This service is expected to provide real-time information transmission between employers and MPF administrators. Financial institutions will be charged with a monthly fee for the provision of the applications and continuous maintenance and upgrades.

6. FlexAccount On-line Point-of-Sales System

This software enables users to efficiently record business activities by monitoring the related stock movements. With this application, users can have information about transactions made at each sales outlets assimilated into a central database and generate sophisticated management reports. This allows users to maintain minimum inventory level, increase the efficiency of store check-out processes and perform financial analysis. The latest version of this application software was released in the second quarter of 2000. The Directors expect the next updated version of this application software to be available by the end of 2003.

Major features of this application software include:

Cash Management

This software enables users to obtain the most up-to-date sales and profit figures using on-screen enquiry. With its multi-currency function, cashiers can handle different currencies within the same transaction, thereby improving the check-out process and resulting in better customer services.

Security Control

Through direct communications such as LAN, sales related data will be transmitted to the head office automatically, which allows better control over movement of inventory and loss of stock items.

Reporting

Linked up with validated data of the front office, the system can automatically produce various kinds of management reports. To cope with highly competitive retail businesses, automatic control, fast decisive management and efficient operations are some of the factors that place the user in the right position in his role. The back office modules provide reports such as: (1) sales report; (2) stock movement report; (3) stock valuation report; (4) monthly sales performance report; and (5) sales analysis report with details on each product and gross profit made.

7. FlexAccount Property Management System

The FlexAccount Property Management System is a tool for rental-related billing. It enables property management companies to keep track of information about lease, property, tenants and suppliers. This application software facilitates maintenance of transaction history

including rental fees, deposits, interest, management fees and utility bills, and automatically effects payments through the banking system. The latest version of this application software was released in the second quarter of 1996. The Directors expect the next updated version of this application software to be available by the end of 2002.

Major features of this application software include:

Automated Invoicing

This software contains unlimited user definable charge code such as charging ratio, default account code as well as analysis code. Following entry of contract details, users can call up the pre-defined charge code as applicable to the contract details. The system will then automate the billing process according to the parameter within the contract.

Automated Settlement

The system can initiate settlement via cheque and autopay.

8. **FlexAccount Garment Trading/Manufacturing System**

This application is an integrated business suite specially designed for the garment, apparel, shoe and leather industry. The system is designed to handle the entire operation cycle, from costing, sampling, order processing, material requirement planning, material purchase, inventory management, production control and shipping handling. All modules are fully functional as an individual module yet can be integrated together as the business grows. The latest version of this application software was released in the second quarter of 2000. The Directors expect the next updated version of this application software to be available by the end of 2002.

Major features of this application software include:

Multidimensional Information Processing

The software is capable of handling a large combination of style-colour-size requirement, plus multiple deliveries, multiple destinations, and multiple packing methods.

Open System Design

The software supports a wide range of hardware platforms and different operating systems.

Multi-media Features

Sketch, photo image and video clip can be embedded within the record.

Extensive Inquiry Functions

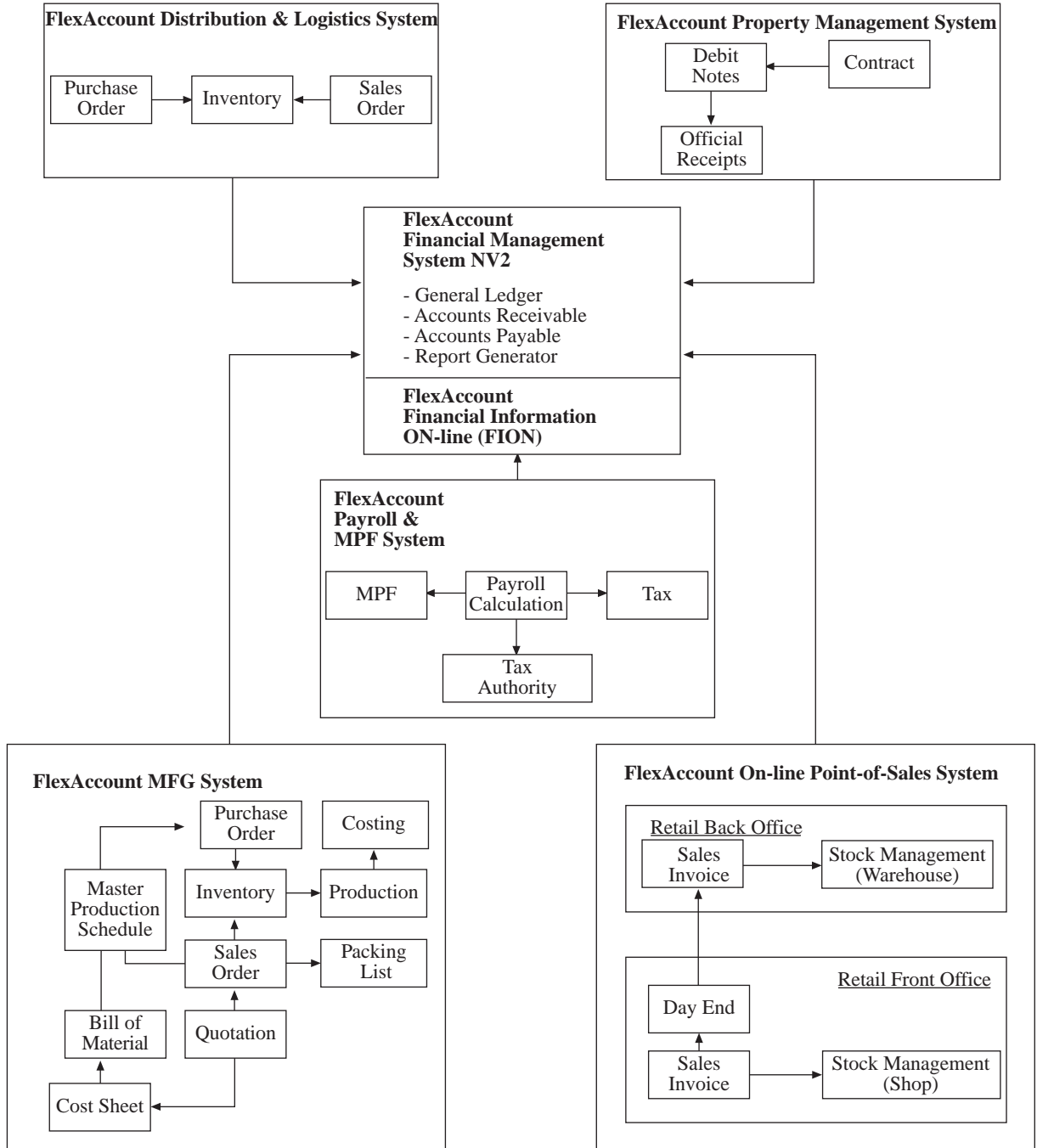
Easy to use inquiry function for users to locate and retrieve data quickly. User can access data through various types of search methods.

Peripheral Functions

Additional modules to provide support to other related business functions such as shipping documents, quota management, export/import, payroll and retail management.

BUSINESS

The FlexAccount products can be integrated with each other to provide a complete enterprise solution. The following diagram illustrates the concept of such complete enterprise solution.



Markets for FlexAccount products

Hong Kong

The Directors consider the Group as a leading developer and distributor of enterprise software products in Hong Kong. The Directors also believe that the FlexAccount products are widely used by a large group of corporate users in Hong Kong. The FlexAccount products have been promoted in Hong Kong for more than 13 years. The Group's existing client base comprises over 20% of the companies (including their respective subsidiaries) listed on the Main Board as at 30 April 2000.

The PRC

The Group has devoted efforts in developing its enterprise software business in the PRC since 1997. During the past three years, the FlexAccount products have been distributed to more than 10 provinces covering over 20 cities in the PRC. In addition, the Group gained recognition in relation to its FlexAccount products from various entities in the PRC, including:

- the Shanghai Municipal Finance Bureau certified the finance and accounting application software of the FlexAccount suite as being in compliance with the accounting standards in the PRC in 1997 and for its capability to fulfil the requirements of various PRC government units;
- Ranked as the foreign finance software house with the largest number of installations approved by the Shanghai Municipal Finance Bureau in 1998; and
- the Shanghai Municipal Finance Bureau, SCSTDC and SSBA certified in April 2000 the Group as the only Hong Kong-based finance and accounting software house in Shanghai.

Others

The Group also has distribution networks in Malaysia, Singapore and Taiwan. Occasionally, clients require the FlexAccount products to be installed in other areas. Apart from Hong Kong and the PRC, the FlexAccount products have been installed in various other locations in the world.

BUSINESS

The following diagram illustrates the locations where the FlexAccount products have been installed.



ASP BUSINESS

The ASP business of the Group principally involves the provision of FlexAccount products via the Internet to users on a subscription basis and the provision of related support services. The mission of the Group's ASP services is to allow users to outsource application deployment and the IT infrastructure, which results in lower investment required in hardware, software upgrades and system maintenance and enhanced operation efficiency. The Directors believe that by using the Group's ASP services, users can save significant resources for building up their own application software, reduce the risk of implementation failure and the cost of retaining qualified technical personnel.

In the initial stage, the Group intends to focus its resources on Hong Kong and PRC markets.

Technology

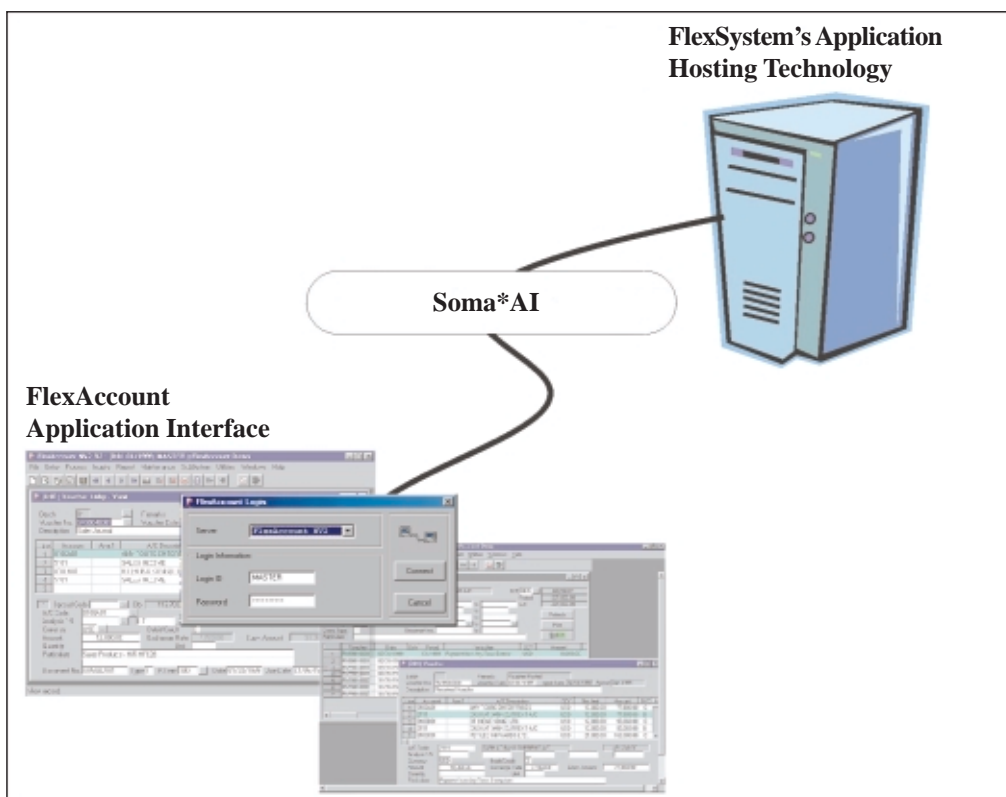
The Group utilises its proprietary Internet enabling technology, Soma*AI, to deliver services for its ASP business. Soma*AI is specifically designed to enable massive data transmission and interactive software application under limited bandwidth environment. The Directors are of the view that Soma*AI is more suitable for business applications as compared with commonly used Internet browsers, particularly in terms of speed, bandwidth consumption and security.

According to an assessment report issued by NSTC, Soma*AI exhibits, among others, the following features: (i) reduced bandwidth requirement as a result of its data compression technology and task-focused design for business applications; (ii) an encryption method, which avoids reliance on commonly used browsers and thereby allows security levels of 128 bits, 1024 bits or even higher; (iii) an enhanced data transmission speed via Internet; and (iv) an ability to operate satisfactorily even at a low bandwidth of 9.6kbps.

Based on the findings of NSTC as stated above, the Directors are of the view that Soma*AI has significant advantages over conventional Internet browsers commonly used for supporting ASP services. Furthermore, the Directors believe that the Group is able to offer its ASP services at a lower cost as compared to other ASPs using Internet browsers and broadband communication channels to support their services due to:

- (i) the low bandwidth requirement of Soma*AI, which reduces communication costs, such as usage cost of broadband networks;
- (ii) the low host server resources requirement of the Group's data compression technology, which reduces the investment required in hardware; and
- (iii) the Group's proprietary Internet enabling technology which eliminates the need to pay licensing fees to use Internet enabling technology provided by other technology providers.

The Directors consider that Soma*AI is technologically advanced and is relatively too complicated for replication without the source code. The source code of Soma*AI is safe-kept by the Group in a proprietary system controlled by the Company’s research and development department. The design of Soma*AI has also incorporated hardware protection so that users of the Enterprise Data Center can only access Soma* AI installed at their premises with the specific key lock provided by the Group and manufactured by a world-renowned manufacturer, while other users can only access Soma* AI through Internet via the hardware installed and maintained at the Group’s premises, which is also incorporated with the same key lock. Therefore, the Directors consider that the probability of Soma*AI being stolen or replicated by other parties as being remote.



FlexAccount Data Center

In March 2000, the Group launched its ASP services under the service name “FlexAccount Data Center”. By subscribing to the Group’s services under “FlexAccount Data Center”, users can access the full range of FlexAccount products, excluding the FlexAccount Garment Trading/ Manufacturing System, with support by call center and other related services. In order to capture a greater clientele, the services of FlexAccount Data Center are offered under the following models:

1. SME Data Center

The SME Data Center is targeted to serve SMEs which have limited resources to develop their own IT infrastructure. Under this model, the Group can provide FlexAccount products via the Internet to users on a subscription basis. The client is charged with an initial lump sum for implementation and the establishment of Internet access to the data center managed by the Group