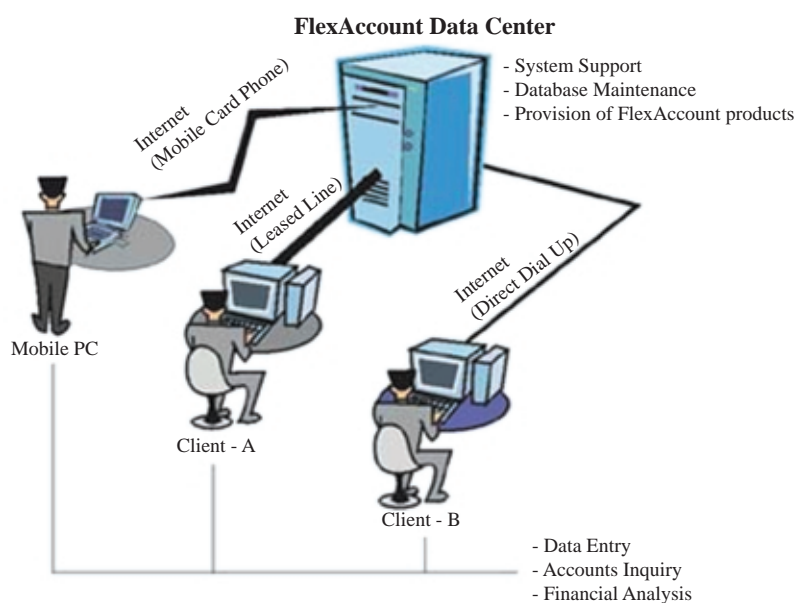


on its own, or together with other business partners. Currently, the initial lump sum fee payable for the services is HK\$1,000. The client's database will be maintained by the Group at the data center. In addition, the client is charged with a fixed monthly fee, which is payable in advance, for usage of the applications, technical support, unlimited application upgrade and regular system and database maintenance services. Currently, the monthly fee payable by users of SME Data Center for the usage of one application ranges from HK\$980 to HK\$3,980 per station per month.

The Directors believe that the SME Data Center will have great potential in the long run as SMEs have a genuine need to reduce the cost of their operations by subscribing to ASP services. The Directors consider that the Group has substantial competitive advantages over many of its competitors in this particular segment of the ASP market as the Group's proprietary Internet enabling technology, Soma\*AI is able to facilitate transmission of data and applications at a relatively high speed even in a narrow bandwidth environment. The Directors believe that before broadband Internet becomes widely available in Hong Kong and, in particular, in the PRC, the Group is in a position to enjoy great competitive advantages over its competitors as the relatively slower transmission speed of data and applications and the resultant higher requirement for Internet connection costs in narrow bandwidth environment are expected to reduce the incentives of SMEs to subscribe to ASP services.

The Directors consider that Soma\*AI is able to support a relatively higher transmission speed and a relatively lower requirement for hardware compared with conventional Internet browsers even under broadband connections. Accordingly, the Directors believe that the Group will be able to capture a good share of the ASP market for SMEs with, inter alia, its own proprietary Internet enabling technology and the proven effectiveness of FlexAccount application software products.

The following illustrates the relationship between the Group and the users of the SME Data Center:



## 2. **Trusted Data Center**

The Trusted Data Center is a model to be implemented in collaboration with business partners such as international accounting firms. The Directors consider that the efficiency of the financial or other administrative services offered by these partners can be greatly enhanced by adopting the Internet as a service medium. Moreover, the Internet is also regarded as an efficient medium for communication between accounting firms and their clients who entrust these firms with their data. This model can create an e-commerce environment for the accounting firms and their clients.

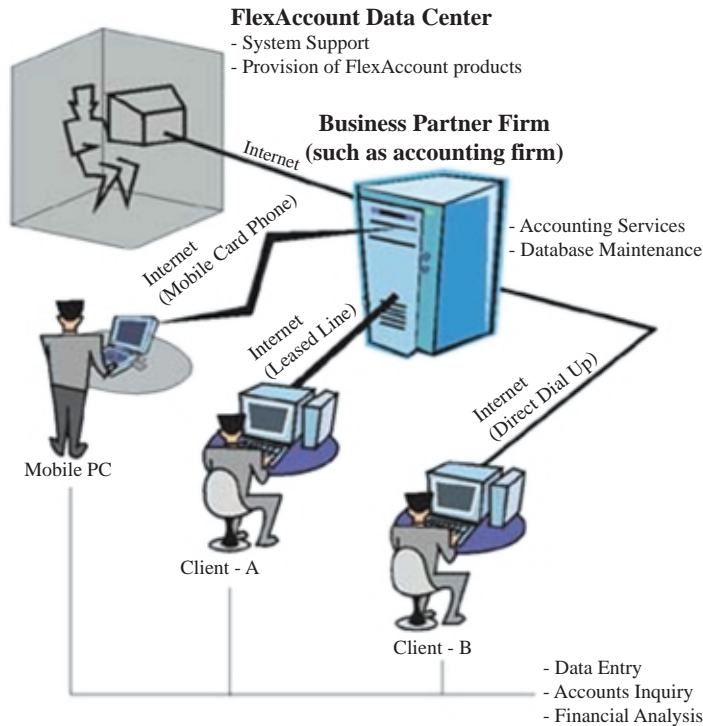
Through the Trusted Data Center, the Group aims to provide application hosting and related technical support services for its various business partners and their clients. The Group provides the platform and application solutions to facilitate efficient workflow for reporting and analysis purposes, whilst the database is to be maintained by the respective business partners. The clients of the business partners will be charged an initial lump sum, which is payable in advance, for the implementation. In addition, subscription fees for the services and the applications as well as unlimited applications upgrade and regular system maintenance services during the subscription period are payable in advance on a monthly basis. Typically, the business partner is responsible for the billing process and the clients are required to pay the business partners based on a normal payment term of about 7 days.

Under the Trusted Data Center, the data of the clients of the Group's business partners is maintained in the data centers of the business partners rather than in the data centres operated by the Group. Therefore, the clients are expected to face relatively fewer security concerns. The Directors consider that this will facilitate the adoption of ASP services by these clients, particularly among multi-national corporations which need to access their books and records via the Internet in a timely manner.

The Directors believe that the specialized features of Soma\*AI as described above together with the proven market acceptability of the Group's FlexAccount products will put the Group in an advantageous position to capture the potential of this market segment of the ASP market. Recently, the Group entered into a letter of intent with Deloitte & Touche Management Consulting Co., Limited in Taiwan to set up a joint venture called DeloitteFlex e-Business Inc. to engage in the ASP business in Taiwan. Under the arrangement, the Group will be responsible for providing the FlexAccount products and technical support while Deloitte & Touche Management Consulting Co., Limited in Taiwan will be responsible for management support, marketing and client liaison. In addition, Deloitte & Touche Management Consulting Co., Limited in Taiwan will provide the bulk of the client base by tapping into its existing audit and other services clientele. The Group will make appropriate announcement in accordance with the GEM Listing Rules when a formal agreement is entered into. Further details of the collaboration is described in the paragraph headed "Strategic alliance" below.

The Directors believe that the Trusted Data Center is also a cost-effective means for the Group to expand geographically.

The following illustrates the relationship between the Group, the business partner and the users of Trusted Data Center:



### 3. Enterprise Data Center

The Enterprise Data Center offers the Group's ASP services to medium to large sized enterprises which can attain economies of scale by having their own Intranet platform for data transmission. Under this model, the Group provides on-line enterprise solutions to its clients whose operations are scattered in different locations, whether in Hong Kong or abroad. The solutions to be provided by the Group will facilitate information and applications sharing among the different branches of its clients in a cost-effective way. The Group only provides applications and supports the system maintenance of the data centers, whilst the clients are responsible for their own data warehousing. The Group helps its clients to build or customize their enterprise solutions for an initial lump sum being the implementation cost. In addition, the clients are charged with fixed monthly fees for the usage of applications offered by the Group, unlimited applications upgrade and regular system maintenance services during the subscription period. The fees will be billed in advance on a monthly basis upon activation of the account. The clients are required to pay the Group within 7 days from the date of billing.

While certain market researchers have expressed positive views on the market size of the ASP business, there are general concerns over the issue of data privacy for companies using ASP services provided via the Internet. The Directors believe that the Enterprise Data Center can resolve the issue of data privacy as data is maintained by the enterprises themselves. Moreover, since many of the Group's existing clients are international corporations, the Directors believe that offering the services of the Enterprise Data Center to these companies represents a huge potential for the Group's ASP business and that the Enterprise Data Center will be able to provide recurrent revenue stream for the Group in the near future.