
FUTURE PLANS AND PROSPECTS

FUTURE PLANS

The Directors believe that the Group is one of the key leaders of the packaged enterprise application software market in Hong Kong. While the sales of application software in the local market provide a solid base for the Group's business, expansion of the ASP business and sales of FlexAccount products to markets outside Hong Kong are regarded by the Directors as major growth areas. The Directors believe that the benefits of expanding into other markets could be huge as the initial investment of development of application software has already been made and further sales of the FlexAccount products would translate into immediate profit for the Group. The Directors consider the extension of the Group's business into the ASP market is also another example of increasing the sales of the established FlexAccount products.

ASP Business

Building on its established application software business, the Group began to tap into the ASP business in Hong Kong in March 2000. The Directors believe that the Group already possesses several key elements required for developing a successful ASP business, including (i) an efficient and cost-effective proprietary Internet enabling technology, namely Soma*AI, (ii) an extensive range of well-developed applications, (iii) an established and broad client base and (iv) a long established brandname.

The Directors consider that with technological advancement and innovation, there can be a wide variety of ASP services to be offered to the market. In the initial stage, the Company intends to concentrate its efforts in achieving a distinct market position by adopting certain models of ASP business through the FlexAccount Data Center which primarily offers to reduce the burden of IT related investment of companies. In addition, the Group intends to offer certain other models of ASP business for immediate development in the near future, which should generate significant amounts of revenue. Moreover, to expedite the expansion of the Group's ASP business, the Group has established and is establishing various strategic alliances which will allow the Group to reach a wide range of potential users of its ASP services in a relatively short period of time.

Geographic Expansion

The Directors foresee huge market potential in the PRC market for the Group's ASP services. The Directors consider the Group being a recognised player in the PRC software market and is well positioned to capitalise on the market opportunities. The Internet enabled features of the Group's products match the needs of companies in the PRC, which may have scattered points of operation across the nation. In addition, given the close economic ties between Hong Kong and the PRC, a significant number of companies with cross-border operations can benefit from using the Group's ASP services. The Directors believe that these factors will contribute to demand for the Group's ASP services in the PRC.

Based on their experience in developing enterprise application solutions, the Directors believe that the FlexAccount products would be applicable to other overseas markets after localisation. With a proper distribution network, other markets in Asia could be a prime target for the Group's products. Therefore, the Group intends to seek value added partners in the relevant markets and to expand into these markets in the near future.

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BUSINESS STRATEGIES

In order to achieve the Group's business objectives of becoming a leading ASP in Asia, the Directors envisage that the Group's development strategies will comprise of three principal areas, namely (i) development and implementation of its ASP models to capture a larger market share; (ii) expansion into selected overseas markets; and (iii) continual research and development efforts to enhance the FlexAccount products and the Soma*AI technology. Adequate financial and human resources will be committed to implement these future plans and development strategies.

ASP Business

The Directors are confident that the existing business models adopted by the Group's ASP business, namely SME Data Center, Trusted Data Center and Enterprise Data Center, can cater the needs of most commercial organisations. The Directors believe that with its proprietary Internet enabling technology, Soma*AI, the Group's ASP business is capable of providing on-line enterprise solutions of quality to its clients. To capitalise on the advantages of the Group, the Directors intend to promote the Group's ASP business with further marketing efforts, particularly through print advertisements and Internet marketing.

In addition to the existing ASP models, the Group also intends to introduce the following business models in the near future:

1. *Joint ASP services*

To capture market share more efficiently, the Group will co-operate with certain value-added business partners who are expected to be an accountancy firm, ISPs and other ASPs for the development and provision of ASP services in Hong Kong and overseas markets. It is expected that the Group will be responsible for the provision of applications and the subsequent upgrades and maintenance support, technical support and implementation of the data centers, whilst the business partners will be responsible for the marketing, customer liaison and maintenance of the data centers. Further details of such alliances are described in the paragraph headed "Strategic alliance" under the section headed "Business" in this prospectus.

2. *On-line stock trading*

The Directors intend to launch this service once AMS/3 goes into operation. AMS/3 is expected to be launched by the Stock Exchange around the second half of 2000. This intended ASP service aims to provide security brokers with software applications for on-line trading and comprehensive accounting functions on a subscription basis. This service is intended to target at over 400 security broking houses in Hong Kong. The Directors are of the opinion that this service will have great potential due to the growing trend of on-line trading in Hong Kong and the significant saving on IT investment of brokers as compared to establishing their own IT infrastructure for similar purposes.

3. *Real-time stock quote*

The Group has been authorised by the Stock Exchange to offer real-time stock quote service to subscribers. It is expected that the Group would charge a fixed monthly fee for the services. The Group plans to commence the related marketing activities and commence this service around August 2000.

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Geographic Expansion

The PRC

Currently, the Group intends to establish data centers in Shanghai and Changshu. Such services will be launched by the end of 2000. The service is expected to host data for users in servers maintained by the accounting firms and to provide the Group's application software for their users. Clients will be charged an initial lump sum for the implementation of the system plus a fixed monthly fee for usage of the data hosting services and the applications offered by the Group and subsequent unlimited upgrades. The Group has already entered into a letter of intent for the establishment of a joint venture company with Huamei Software. Under this arrangement, the Group will collaborate with Huamei Software to offer ASP services (including data hosting and provision of FlexAccount products via the Internet) in Changshu. Details of the co-operation is set out in paragraph headed "Strategic alliance" under the section headed "Business" in this prospectus. The Group plans to set up additional data centers in the PRC by the end of 2000.

Taiwan

The Directors consider that the ASP market in Taiwan is still undeveloped and the Group should be more active in expanding into this market. In May 2000, the Group entered into a letter of intent with Deloitte & Touche Management Consulting Co., Limited in Taiwan for establishing a joint venture company, "DeloitteFlex e-Business, Inc.", to engage in the ASP business, sale of software and provision of related services in Taiwan. Each of the Group and Deloitte & Touche Management Consulting Co., Limited, Taiwan will hold 50% interest in the joint venture company.

Under this arrangement, the Group will be responsible for providing its technical skills and knowledge for application software while Deloitte & Touche Management Consulting Co., Limited, Taiwan will be responsible for the management support, marketing of the service as well as client liaison. In addition, Deloitte & Touche Management Consulting Co., Limited, Taiwan will provide the bulk of the client base in Taiwan by tapping into its existing audit and other services' clientele.

The Group is in the process of localising the FlexAccount products for the Taiwanese market with the assistance of Deloitte & Touche Management Consulting Co., Limited, Taiwan.

Japan

The Group has recently been selected by JETRO as one of the twelve vendors from Hong Kong to participate in the annual World PC EXPO 2000 to be held in Japan in October. The World PC EXPO 2000 is considered to be the largest IT trade showcase to be held in Asia. JETRO expects that there will be over 350,000 visitors representing Japanese and other Asian IT companies attending this exhibition. Such invitation signifies that JETRO has identified the Group's products as having sales potential in the Japanese market. This reassures the Directors' confidence in the Group's products and localization procedures are being implemented to fine-tune the functionality of the FlexAccount products according to the standard for the Japanese market. The Group will also seek to form alliances with Japanese business partners who are market leaders with the appropriate client base in order to have access to a well-established distribution network in Japan.

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Others

The Group also targets to launch its FlexAccount products and ASP services to selected markets in the Asia Pacific region, including Malaysia and Singapore, as well as to US and Australia. The Group plans to establish representative offices in these markets after conducting a series of feasibility studies on these markets. The Group will also commence to localise the FlexAccount products to cater for the specific needs of enterprises in the respective markets. Meanwhile, the Group will attempt to identify local partners. Following completion of the localisation process, the Group will appoint local distributors for the FlexAccount products and also establish data centers for its ASP business.

Research and development

To maintain its competitive advantage, the Group will strive to enhance its technical capabilities through investment in research and development. The Group's strategy is to foster its own research and development team and to focus resources on areas with high potential which can provide the Group with substantial profit contribution. Moreover, the Group will also look out for suitable technology-based companies as acquisition candidates. However, it is possible that suitable candidates may not be identified or that the proposed acquisition price may be unacceptable to the Group. If this occurs, the Group may not proceed with such acquisition and the Directors will apply the net proceeds for the Placing reserved for future strategic acquisition and investment to the Group's research and development.

ERP application software development

The Directors believe that the foundation of the success of the Company relies on its full range of FlexAccount products which offer users a comprehensive and cost-effective range of ERP solutions. Therefore, the Group will carry out continuous enhancement of the FlexAccount products both in terms of breath and depth of the offering.

The Group will continue to devote resources to enhance the functionality of its existing FlexAccount products to meet the changing market needs. New versions of each of the products will be progressively launched starting from 2001. In fact, upgraded versions of the FlexAccount Financial Management System and FlexAccount Financial Information On-line are expected to be launched by the end of 2001. The Group has also committed its resources to the development of application solutions for specific industries as well as localization of applications for the overseas markets. As the Directors foresee a more widespread use of the Linux platform in the future, the Group plans to offer a Linux compatible version of the FlexAccount products.

ASP related research and development

Further enhancement of the Soma*AI technology will be another focus of the research and development efforts of the Group. The Directors believe that although the Soma*AI technology has already gained recognition in various aspects, there is room for improvement in terms of speed, security, bandwidth consumption and server capacity. The Group aims to raise the efficiency of the Soma*AI technology with a view to further lowering the cost structure of the Group and to provide a more competitive pricing to its users.

Moreover, with the emerging trend in the wireless market, the Group will also devote resources to enhance its ASP services to support wireless solutions based on platforms such as WAP.

FUTURE PLANS AND PROSPECTS

STATEMENT OF BUSINESS OBJECTIVES

Set out below is the statement of business objectives of the Group for the period from the Latest Practicable Date to 31st March, 2003:

Principal Areas	Business Plans	Latest Practicable Date to 30th September, 2000	For the six-month period ending				
			31st March, 2001	30th September, 2001	31st March, 2002	30th September, 2002	31st March, 2003
Research and Development							
Product Development	<ul style="list-style-type: none"> - To develop the next generation of FlexAccount products - To enhance the functionality such as data mining, reporting, user's interactive of FlexAccount products - To develop application solution for the stock broking industry - To develop application for the catering and hotel industry - To develop application to handle time billing and job-costing - To develop application for insurance industry - To develop for membership management application - To research and explore the Linux application market - To develop Linux version for FlexAccount products - To perform localization of FlexAccount products for the Taiwanese and Japanese markets - To perform localization of FlexAccount products for the Malaysian and Singaporean markets - To perform localization of FlexAccount products for the Australian market - To perform localization of FlexAccount products for the US market 	<ul style="list-style-type: none"> ● ● ● ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ 	<ul style="list-style-type: none"> ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ 	<ul style="list-style-type: none"> ● ● ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ 			

Legend: ■ Commencing; ● Continuous Status; ▶ Expected Completion

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Principal Areas	Business Plans	Latest Practicable Date to 30th September, 2000	For the six-month period ending					
			31st March, 2001	30th September, 2001	31st March, 2002	30th September, 2002	31st March, 2003	
Research	- To research and implement new technology, such as component based business logic program, on FlexAccount products	●						●
	- To develop solutions to enable wireless applications on platforms such as WAP	■	▶					
	- To develop new Internet enabling technologies for deployment on the next generation of Soma*AI			■	▶			
	- To enhance the functionality of FlexAccount Data Center				■	▶		●
	- To research and implement new technology, such as multi-lingual Internet Application Browser, high speed Internet communication algorithm and high speed data encryption algorithm, for ASP business				■	▶		●
	- To develop the next generation of Soma*AI					■	▶	
	- To implement the next generation Soma*AI on FlexAccount Data Center							■ ●
ASP business in the PRC	- To recruit business partners in various major cities in the PRC for the ASP business	■	▶					
	- To set up and launch data centers in various major cities in the PRC including Guangzhou, Beijing and Shenzhen	■	▶					
	- To establish 5-10 call centers for its ASP clients in the PRC				■	▶		

Legend: ■ Commencing; ● Continuous Status; ▶ Expected Completion

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Principal Areas	Business Plans	Latest Practicable Date to 30th September, 2000	For the six-month period ending					
			31st March, 2001	30th September, 2001	31st March, 2002	30th September, 2002	31st March, 2003	
in Hong Kong	- To promote ASP business by direct marketing to existing corporate users of FlexAccount products in Hong Kong	●						●
	- To recruit international accounting firms and ISPs as value-added partners	■						●
	- To recruit value-added partners who are MPF providers		■					●
	- To recruit value-added partners for its on-line stock trading service		■					●
	- To set up call center for its ASP clients in Hong Kong		■	▶				
in other Asian markets	- To expand the ASP business in selected Asian markets, including Taiwan and Japan	■				▶		
	- To recruit business partners in Japan for the ASP business				■			▶
	- To set up call center for its ASP clients in Malaysia and Singapore					■		▶
	- To recruit business partners in selected markets in the other Asian markets for the ASP business	■						●
in other markets outside Asia	- To expand the ASP business into Australia and the US					■		▶
Enterprise application business	- To launch and promote the Linux compatible version of FlexAccount products in Hong Kong and the PRC							■▶
	- To promote FlexAccount products by direct and Internet-based marketing to the general business sector in selected Asian markets		■					●

Legend: ■ Commencing; ● Continuous Status; ▶ Expected Completion

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Principal Areas	Business Plans	Latest Practicable Date to 30th September, 2000	For the six-month period ending							
			31st March, 2001	30th September, 2001	31st March, 2002	30th September, 2002	31st March, 2003			
Resources deployment	- To launch and promote the new generation of the FlexAccount Financial Management System and FION			■				●		
	- To launch and promote the localised version of FlexAccount products in Japan					■			●	
	- To launch and promote FlexAccount products for wireless applications in selected Asian markets						■			●
	- To set up research and development centre in Malaysia	●						▶		
	- To expand research and development team: PRC 20 staff Macau 10 staff Malaysia 10 staff			■				▶		
	- To continue to expand the research and development team in PRC, Macau and Malaysia					■				▶
	- To set up new overseas sales offices, including: Taiwan 1 office Japan 1 office	■						▶		

Legend: ■ Commencing; ● Continuous Status; ▶ Expected Completion

The estimated costs for implementing the Group's business objectives until 31st March 2003 are set out below:

(In HK\$ million)	Latest Practicable Date to 30th September, 2000	For the six-month period ending					31st March, 2003	Total
		31st March, 2001	30th September, 2001	31st March, 2002	30th September, 2002			
Principal areas								
ASP business	2	5	5	5	5	3	25	
Research and development	1	5	6	6	5	2	25	
Strategic acquisition and investment	20	10	—	—	—	—	30	
Geographic expansion	2	7	5	5	4	2	25	
Marketing and promotional activities	0.5	3	2	2	1.5	1	10	

FUTURE PLANS AND PROSPECTS

BASES AND ASSUMPTIONS

General assumptions

The following summarises the general assumptions in relation to the business plans and the estimated application of the net proceeds of the Group for the current financial year and the two financial years ending 31st March, 2003:

- (a) there will be no material changes in the existing political, legal, fiscal or economic conditions in Hong Kong, the PRC and any other countries in which members of the Group carry on business or to which they export merchandise or services or source supplies or services;
- (b) there will be no material changes in the bases or rates of taxation in Hong Kong, the PRC or in any other places in which members of the Group operate or are incorporated; and
- (c) there will be no material changes in interest rates or exchange rates from those currently prevailing.

Specific assumptions

The following summarises the specific assumptions associated with the different business activities in relation to the business plan and the estimated application of the net proceeds of the Group for the current financial year and the two financial years ending 31st March, 2003:

- (a) the Hong Kong Government will continue to promote and encourage the development of the IT industry;
- (b) suitable technology based companies will be identified for acquisition purposes;
- (c) the markets in Hong Kong, the PRC and the Asia Pacific region are sufficiently vast to accommodate the supply of services provided by the Group and its competitors;
- (d) the growth of the Internet will continue and is sustainable;
- (e) the demand for enterprise application solution in the various markets will continue to outstrip the supply of such services; and
- (f) necessary co-operation and approvals are received from the Group's business partners and relevant government authorities.

Reference is made to the risk factors set out in the section headed "Risk factors", the occurrence of any of which may delay or otherwise affect the attainment by the Group of any of its business objectives.

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USE OF PROCEEDS

The Directors believe that the listing on GEM will enhance the Company's profile and expand its capital base for its future growth and development. The net proceeds of the Placing, after deducting related expenses (assuming the Over-allotment Option is not exercised), are estimated to be approximately HK\$143.3 million based on the higher end of the stated price range of HK\$1.33 per Share. The Directors presently intend to use such net proceeds as follows:

- Approximately HK\$25 million for the expansion of the Group's ASP business activities, including the establishment of data centers;
- Approximately HK\$25 million on research and development activities, including the expansion of in-house research and development team and localisation of FlexAccount products from the Latest Practicable Date to 31st March, 2003;
- Approximately HK\$30 million for strategic acquisitions of and investments in companies, yet to be identified, whose businesses fit into the Group's business strategy;
- Approximately HK\$25 million to fund the geographic expansion into selected markets (including Taiwan within 2000) through, including the establishment of regional offices, recruitment of sales and technical staff and forming business partnerships;
- Approximately HK\$10 million on marketing and promotional activities, including advertising through various media, participation in trade shows and exhibitions and other promotional events; and
- The remaining balance of approximately HK\$28.3 million to be used as working capital of the Group.

As at the Latest Practicable Date, the Company has not yet identified any suitable candidates for acquisition or investment.

To the extent that the net proceeds of the Placing are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short term deposits with financial institutions in Hong Kong.

Should the Over-allotment Option be exercised in full, the Company will receive additional net proceeds of approximately HK\$23 million based on the higher end of the stated price range of HK\$1.33 per Share. The Directors intend to use such additional proceeds from the Over-allotment Option as additional general working capital. If the Issue Price is set below HK\$1.33, the net proceeds will accordingly be reduced and the amount to be used as working capital will correspondingly be reduced.

Based on the business plan of the Group as described in the paragraph "Statement of business objectives" under this section, the net proceeds from the Placing is expected to be used up by 31st March, 2003.