
STATEMENT OF BUSINESS OBJECTIVES AND STRATEGIES

OVERALL BUSINESS STRATEGIES

The Group's overall business objective is to be a leading business application solutions provider in the banking and finance sector in the Asia Pacific region. The Group has identified the following key strategies to achieve this goal:

- to continue its commitment to research and development in order to expand its range of products for the banking and finance sector and other sectors;
- to continue to form alliances with leading strategic and technology partners to aggressively implement the ASP and e-business solutions initiatives;
- to expand geographically by establishing regional operations, and in particular, to establish software development centres and distribution channels and networks for its products and services in the PRC and in Southeast Asia; and
- to strengthen its sales and marketing capabilities and organise and conduct joint marketing with branded computer product suppliers.

STRATEGIES

In order to meet the goal of becoming a leading business application solutions provider in the banking and finance sector in Asia, the Group has formulated the following business strategies for the period until the end of 2002.

The Group will continue to focus on developing new enterprise software, based on its existing suite of enterprise software, to provide advanced business application solutions for the banking and finance sector. The Directors believe that these new enterprise software will allow the Group to capture the ever increasing demand for sophisticated business application solutions in the region and enhance the Group's image as a leader in this sector. In conjunction with the Group's track record in providing quality support services, the Directors believe that these new products will enable the Group to further strengthen its leading position and to increase its market share significantly.

The Group intends to develop a revenue model in which income is not only generated at the time of product and service sales, but as recurring income over a long period of time. The ASP Business, a joint venture between the Group and iBusiness Corporation, is the first step towards such a revenue model. The ASP business model will allow the Group to generate revenue through subscription fees, transaction fees, access fees and other forms of recurring income.

The Group also intends to actively participate in various e-business ventures by leveraging on its Internet and business application solutions capabilities. In view of the need for IT solution and support service for entrepreneurs with innovative e-business proposals, the Directors believe that the Group is well-positioned to facilitate new e-business ventures with a set of consulting services, software solutions, business connections and day-to-day operation support services. It is expected that the Group will benefit from these new ventures' success through the form of either equity ownership, commission, revenue or profit sharing schemes.

STATEMENT OF BUSINESS OBJECTIVES AND STRATEGIES

Further details of the business strategy and the business and revenue models of the Group are set out under “Business — Business strategy”.

In order to put into effect the above key strategies and to realise the business and revenue models, the Directors intend to implement the following:

Enterprise software and product development

Technology research and infrastructure development

To support the Group’s enterprise software and product development activities for the period until the end of 2002, a dedicated research and development team will be formed. This team will fulfill the following:

- investigate and experiment with new technologies that can potentially be used to develop business application solutions for the banking and finance sector; and
- develop the necessary software infrastructure for the new technologies to be adopted.

The research and development team will monitor the market closely and keep in touch with technology vendors in order to be kept abreast of promising technologies. Intelligence and information on the technologies will be analysed to assess their maturity, applicability and potential. Once a technology is identified, its usability and stability will be further examined to ensure enterprise software on which they are developed will have commercial viability.

The research and development team will continue to build up the Group’s collection of reusable framework to facilitate product development. The expanding collection of reusable framework will ensure the quality of future products and reduce the total development time required. Once a piece of reusable framework is developed and fully tested, it will be transferred to the software development teams for enterprise software development.

The number of staff required for this research and development team is estimated as follows.

| | Second half 2000 | First half 2001 | Second half 2001 | First half 2002 | Second half 2002 |
|-----------------|-----------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|
| Number of staff | 6 | 8 | 12 | 15 | 15 |

Product development

Modular Banking System (“MBS”)

This is a treasury and capital market system targeting financial institutions in the region which engage in the borrowing and lending business. It will come in a modular structure to support a wide variety of financial instruments including loans, deposits, foreign exchange, swaps, equities, options and futures. MBS will employ the latest technology used by the Group and its development will utilise the Group’s collection of reusable framework.

STATEMENT OF BUSINESS OBJECTIVES AND STRATEGIES

The development of MBS will need 24 months to complete, and it will be developed and launched in stages. Detailed product design commenced in May, 2000. The first phase of development will cover foreign exchange, loans, deposits, general ledger and risk management, and is expected to be completed by the first quarter of 2001. The second phase will cover swaps, futures, fixed income, equities and options, and is expected to be completed by the third quarter of 2001. Full development of the enterprise software is expected to be completed by April, 2002.

Insurance21

This is an insurance policy management system for general insurance and life insurance developed using the reusable framework of the Group. The first phase of development of the system will focus on quotation set-up, policy administration and claims processing for medical insurance companies.

The development of Insurance21 commenced in August, 1999 and will take approximately 24 months to complete. The first phase development covers medical insurance and is expected to be completed by June, 2000. The second phase will cover life insurance and is expected to be completed by December, 2000. The third phase will cover general insurance and is expected to be completed by July, 2001.

Other development projects

- *InterTrade Settlement Module.* Development work commenced in March, 2000. The first phase of this module, which covers the Hong Kong market, is expected to be released in July, 2000. Development in subsequent phases will cover securities of other markets
- *Collection and Liability Control Modules.* These are additional modules of LOANS which can be sold as separate systems. Design work commenced in January, 2000 and they are expected to be released in September, 2000.

Development of the ASP Business

In addition to iStock21, which was first deployed for customer use in June, 2000, the Group aims to launch the following on i21.

iHR21

iHR21 is expected to be launched in August, 2000. iHR21 will be based on the Group's existing enterprise software HRMS, and will target small and medium-sized enterprises which seek to automate certain parts of their human resources functions.

The functions expected to be offered on iHR21 include payroll processing, provident fund contribution and income tax calculation. Employees will be able to submit their leave applications and overtime claims and request information from their employers through the Internet or Intranet.

STATEMENT OF BUSINESS OBJECTIVES AND STRATEGIES

iClaims21

iClaims21 is expected to be launched in November, 2000. iClaims21 which will be based on the enterprise software Insurance21 that is presently being developed by the Group. iClaims21 will initially target medical insurance companies.

iClaims21 will allow policy holders to submit their claims through the Internet and thus eliminate the costs and delays incurred by a paper-based submission process. Medical insurance companies will also be able to generate quotations and policies through iClaims21.

Other software applications to be offered through i21

Following iStock21, iHR21 and iClaims21, it is expected that the ASP Business will offer a range of other software applications through i21, including accounting and treasury software applications to be developed by the Group, other enterprise software of the Group, and software applications that may be procured from third parties.

E-business solutions initiative

The Group will expand its present operations to the provision of integrated e-business strategy and technology implementation services (including maintenance and support services) to customers who are seeking to develop e-businesses. The following are examples of the Group's e-business solutions initiative.

The e-Centre solution

The Group is currently in discussions with companies and an industry association (who will act as promoters) for the establishment of a B2B e-marketplace, namely the e-Centre, using proprietary or third party technology.

The e-Centre is expected to include the following features:

- vendors and manufacturers for products and services will be able to set up customised on-line store-fronts, cyber trade-shows and electronic exhibitions on the e-Centre web-site market, and to distribute and sell their products and services;
- supply chain management features for purchasers to source products and services on the e-Centre web-site;
- vendors and purchasers will be able to interact directly with each other to negotiate prices and exchange information on product specifications as well as conduct a myriad of other functions such as payment and arrangement of delivery;
- the underpinning technology platform will enable e-commerce transactions to be conducted on the e-Centre web-site; and
- trade directory, guides and resources with comprehensive search facilities.

STATEMENT OF BUSINESS OBJECTIVES AND STRATEGIES

It is intended that the Group will provide, source, develop and integrate the underpinning e-commerce platform and all related hardware, software, IT network and facilities. It will also train personnel and provide support to the e-Centre as well as provide process re-engineering consultancy to the e-Centre's participants. The promoters of the e-Centre, in turn, will promote the e-Centre among industry communities, manage and maintain the e-Centre web-site, provide and update content, incubate new participants in the e-Centre and provide consultancy services to its participants in relation to store-front management.

The Group expects that revenues from the e-Centre will be generated through transaction fees charged for completed transactions, advertising (through banner advertising and sponsorship arrangements on the e-Centre web-site) as well as other value-added services to be offered.

The e-Centre will enable more streamlined supply chain management by cutting down intermediaries in the supply chain, thereby cutting down costs. Subject to relevant rules and regulations, it is also intended that factories and suppliers in the PRC will be added to the e-Centre. The Directors intend to enter into strategic partnerships with parties whom it considers will be able to contribute to the successful operation of the e-Centre.

iTreasury

In April, 2000, Excel Technology International (Hong Kong) Limited, a member of the Group, entered into a contract with a customer which is independent of the Directors and the Initial Management Shareholders of the Company to develop iTreasury, a vertical portal for corporations, banks, financial institutions and individuals to conduct treasury transactions over the Internet. In particular, Excel Technology International (Hong Kong) Limited will provide system development and consulting services for the development of iTreasury. Pursuant to the terms of the contract, in addition to receiving a fee for the services to be rendered, Excel Technology International (Hong Kong) Limited will receive shares in the project vehicle after user's acceptance for phase one development of the project is given.

Geographic expansion into the PRC and Southeast Asia

PRC

The Directors consider the following to be the key growth drivers for the PRC as a target market of the Group:

- the entry of the PRC into the WTO, thereby opening the market for more foreign participation, which will lead to increased business opportunities for the Group; and
- the implementation of the reform programme for the PRC banking sector, the continued growth of the insurance industry and the continued existence of on-line securities trading, which will lead to increasing demand for IT solutions and services in the PRC.

STATEMENT OF BUSINESS OBJECTIVES AND STRATEGIES

The Group's strategy in the PRC will be to focus on the banking and finance sector and it will seek to position itself as a business application solutions provider for this sector. Subject to receiving all necessary consents and approvals from relevant government authorities, the Group intends to implement the plan for its PRC expansion as described in the following paragraphs:

The Group will aim to leverage on the expansion plans of its existing customers and seek strategic alliances with multinational or local businesses and technology partners. The Directors also plan to expand through acquiring appropriate targets in the PRC. In the middle to long term, the Group seeks to attain market recognition through the knowledge and experience it acquires in the local market.

The entry enterprise software of the Group are expected to include InterTrade, iBank, LOANS, LOS, HRMS and EZ-File. It is expected that MBS, which is being developed by the Group, will be a key product for the PRC market. In addition, the Directors intend to launch and provide ASP applications in the PRC.

The Directors intend to set up one or more software development centres in the PRC for product localisation, product development and technical support. This will, in the long term, create opportunities for the efficient reallocation of resources and help to minimise the costs of the Software Centre.

Southeast Asia

The Directors consider the following to be the key growth drivers for Southeast Asia as a target market of the Group:

- the rapid economic recovery of the region;
- the regional consolidation of banks, securities houses and insurance houses;
- the increasing demand for technology as an alternative channel for delivery of services as opposed to opening new branches; and
- the need to improve internal control and risk management systems as a result of the recent regional economic crises.

The Group's strategy in Southeast Asia will be to continue to focus on the banking and finance sector. The Group will also provide IT consulting services such as strategic planning, systems integration and implementation. It will seek to attain market recognition through the knowledge and experience it acquires in the local market.

The Group will seek to build upon its relationships with its existing customer base in the region and with other customers who are expanding into the region. The Group has completed consulting projects with some of the largest banks in Indonesia. The Group has also licensed its enterprise software and provided systems integration services to some of the leading banks in Singapore and Malaysia. The Group also intends to build upon its relationship with the UOB Investors (one of the Strategic Investors) which has an extensive network in the region.

STATEMENT OF BUSINESS OBJECTIVES AND STRATEGIES

The Directors believe that there will be potential demand in Southeast Asia for most of its enterprise software including iBank, InterTrade, LOANS and LOS. The Directors intend to set up the Group's regional offices in Southeast Asia initially in Singapore and Malaysia to facilitate sales and marketing and set up a software development centre to provide technical support. The regional head office for the Southeast Asia region will be set up in Singapore to co-ordinate the sales and marketing efforts for this region.

Sales and marketing capabilities

The Group intends to strengthen its sales and marketing capabilities to complement its expansion plans through the following strategies:—

- To relieve the sales and marketing responsibility from the Directors to enable them to concentrate on business development and product delivery. A new senior manager has been recruited to lead the sales and marketing team. He will focus on generating sales from the existing set of enterprise software and resale of third party IT products.
- The sales and marketing team will be expanded by recruiting additional sales personnel from the Group's professional staff pool. Professional staff with good presentation and communication skills will be given appropriate training in sales and marketing techniques.
- A public relations firm will be retained to provide on-going support in the areas of image building, public communication and product marketing.

Human resource deployment

For the year ending 31st December, 2000, the Directors expect the number of headcount of the Group to increase (after taking into account anticipated staff turnover) to approximately 200 from the 1999 year-end headcount of 170. This increase is mainly attributable to the addition of two senior management personnel who will be responsible for PRC operations and corporate finance, respectively, a moderate increase in administrative support staff, the formation of the dedicated research and development team, the hiring of additional staff to strengthen the Group's sales and marketing capabilities, and the recruitment of core personnel in the Group's planned new offices in the PRC and Southeast Asia.

It is anticipated that growth rate for the sales force will be much higher than that of management and administrative staff. The growth rate of technical professionals is expected to be moderate as the Group intends to gradually reallocate staff from product development to implementation. In addition, it is expected that productivity in product development will improve as technical staff become more knowledgeable and proficient.

Another area of headcount growth is expected to be through the Group's overseas offices. At present, the Directors expect that mainly sales and management staff, with a few technical support staff, will be required in each of the overseas offices.

STATEMENT OF BUSINESS OBJECTIVES AND STRATEGIES

The headcount projection for each six month period ending 31st December, 2002 is set out in the following table.

| | Second half 2000 | First half 2001 | Second half 2001 | First half 2002 | Second half 2002 |
|--|-----------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|
| Senior management/Directors | 6 | 6 | 6 | 6 | 6 |
| Administration and office support | 18 | 18 | 22 | 25 | 30 |
| Sales & marketing | 8 | 10 | 15 | 20 | 25 |
| Development and implementation teams | 150 | 160 | 165 | 170 | 175 |
| Research & infrastructure development | 6 | 8 | 12 | 15 | 15 |
| Overseas offices | <u>12</u> | <u>54</u> | <u>62</u> | <u>65</u> | <u>70</u> |
| Total | 200 | 256 | 282 | 301 | 321 |

The above projection assumes that the Group will expand its operations through organic growth, and does not take into account any headcount increase that may result from potential acquisitions by the Group.

Implementation Schedule

The Group intends to follow the implementation schedule below in achieving the business objectives based on the current state of the IT industry. However, the Directors believe that as the IT industry is a fast changing industry and the economic climate in Asian countries are difficult to predict, the implementation schedule reflects only the present intention of the Directors in executing the business objectives. The Directors intend to use their best endeavours to anticipate future changes in the IT industry and to take appropriate steps to remain flexible and versatile to enable the Group to stay ahead of or to promptly react to such changes.

Initiatives concerning the ASP Business will be conducted through i21 Limited, the joint venture between the Group and iBusiness Corporation.

STATEMENT OF BUSINESS OBJECTIVES AND STRATEGIES

The estimated costs for implementing the Group's business objectives until the end of 2002 are set out below:

| | June to December 2000 | First half 2001 | Second half 2001 (HK\$mn) | First half 2002 | Second half 2002 | Total |
|--------------------------------------|--------------------------------------|--------------------------------|--|--------------------------------|---------------------------------|--------------|
| Development of the ASP Business | 25 | 10 | 3 | 2 | 0 | 40 |
| Research & development cost | 10 | 10 | 7 | 10 | 10 | 47 |
| Geographical expansion | 7 | 7 | 10 | 8 | 8 | 40 |
| Setting up the e-Centre | 4 | 4 | 2 | — | — | 10 |
| Marketing and promotional activities | 2 | 2 | 2 | 2 | 2 | 10 |
| Acquisitions and investments | 50 | — | — | — | — | 50 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total | 98 | 33 | 24 | 22 | 20 | 197 |

Period 1 : June to December 2000

Key business initiatives

- Marketing the Group's enterprise software aggressively
- Launching the first series of services of the ASP Business — iStock21, iHR21 and iClaims21
- Realising e-business solutions initiatives
- Identifying joint venture and acquisition targets

Sales and marketing

- Expanding the sales and marketing team
- Setting up a sales team for the ASP Business

Product and service development

- Completing the development of the InterTrade Settlement Module
- Continuing the development of MBS
- Completing the first phase (medical insurance) and second phase (life insurance) of development of Insurance21

STATEMENT OF BUSINESS OBJECTIVES AND STRATEGIES

- Completing the development of the software required for the operation of the first phase of the iTreasury project

Geographical expansion

- Establishing the first PRC office (in Guangzhou)
- Establishing the first Southeast Asia office in Singapore
- Identifying potential partners and acquisition targets in Singapore
- Commencing a program to localise products for the PRC and Southeast Asia.

Period 2 : First Half 2001

Key business initiatives

- Further developing the ASP Business by launching other enterprise software as an ASP service
- Commencing the marketing of Insurance21 upon completion of the second phase development
- Commencing the marketing of MBS upon completion of the first phase development
- Continuing the Group's geographical expansion, including through acquisitions

Sales and marketing

- Enlarging the sales force of the ASP Business to capture a larger share of the market
- Recruiting local distributors and/or resellers of the Group's enterprise software in the PRC and other Asian countries

Period 3 : Second Half 2001

Key business initiatives

- Further developing the ASP Business by including software developed by third party software vendors as part of the services offered
- Marketing the MBS and Insurance21 aggressively
- Continuing the Group's geographical expansion, including through acquisitions

Sales and marketing

- Recruiting additional local distributors and/or resellers in the PRC and other Asian countries

STATEMENT OF BUSINESS OBJECTIVES AND STRATEGIES

Period 2 : First Half 2001

Product and service development

- Commencing the third phase of development (general insurance) of Insurance21
- Completing the first phase development (covering loans, deposits etc.) of MBS
- Commencing and completing the second phase development of the iTreasury project

Geographical expansion

- Establishing the second PRC office (in Shenzhen or Beijing)
- Establishing the second Southeast Asia office in Malaysia

Period 4: First Half 2002

Key business initiatives

- Further developing the ASP Business by launching new enterprise software developed by the Group as well as third party software vendors
- Marketing MBS to enterprise and banks for their treasury and capital market operations and businesses upon completion of full development, and continuing to promote and market Insurance21 aggressively
- Continuing to expand the operations of the Group through organic growth and acquisitions

Period 3 : Second Half 2001

Product and service development

- Completing the third phase development of Insurance21
- Completing the second phase development (covering swaps, equities, futures etc.) of MBS

Geographical expansion

- Establishing the third PRC office
- Establishing the third Southeast Asia office in the Philippines or Thailand

Period 5: Second Half 2002

Key business initiatives

- Expanding the customer base of the ASP Business by launching new enterprise software
- Continuing to market MBS and Insurance21 aggressively
- Continuing to expand the operations of the Group through organic growth and acquisitions

STATEMENT OF BUSINESS OBJECTIVES AND STRATEGIES

Period 4: First Half 2002

Sales and marketing

- Expanding the sales force in the regional offices
- Recruiting additional local distributors and/or resellers in PRC and other Asian countries

Product and service development

- Completing the development of the final phase of MBS

Geographical expansion

- Establishing additional offices in PRC
- Establishing additional offices in other Asian countries

Period 5: Second Half 2002

Sales and marketing

- Strengthening sales and marketing efforts in the regional offices and in Hong Kong
- Continuing to recruit additional local distributors and/or resellers in PRC and other Asian countries

Geographical expansion

- Establishing additional offices in PRC
- Establishing additional offices in other Asian countries

BASES AND ASSUMPTIONS

The Group's business objectives set out above are based on the following assumptions:

- There will be no significant change in the legal and regulatory environment of Hong Kong and other relevant countries and regions that will adversely affect the business and activities of the Group.
- The Hong Kong government will continue to promote and encourage the development of the IT industry.
- The markets in the PRC and Southeast Asia are sufficiently vast to accommodate the supply of services provided by the Group and its competitors.
- The growth of the Internet will continue and is sustainable.
- 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 under "Risk factors", the occurrence of any of which may delay or otherwise affect the attainment by the Group of any of its business objectives.

STATEMENT OF BUSINESS OBJECTIVES AND STRATEGIES

USE OF PROCEEDS OF THE SHARE OFFER

The proceeds of the Share Offer, after deduction of underwriting fees and estimated expenses payable by the Company in relation to the Share Offer, are estimated to be approximately HK\$188 million (on the basis that the Over-allotment Option is not exercised) based on an Offer Price of HK\$1.40. If the Over-allotment Option is exercised in full, the net proceeds based on such Offer Price will increase to approximately HK\$30 million. The Company currently intends to use the net proceeds of the Share Offer as follows:

- approximately HK\$40 million for the development of the ASP Business for the period until the end of year 2002;
- approximately HK\$20 million for the research and development of new enterprise software for the period until end of year 2002;
- approximately HK\$20 million for the geographical expansion of the Group into the PRC and Southeast Asia for the period until end of year 2002;
- approximately HK\$10 million for setting up the e-Centre for the period until the end of year 2001;
- approximately HK\$10 million for marketing and promotional activities for the end period until end of year 2002;
- approximately HK\$50 million for acquisitions of and investments in companies and businesses which fit into the Group's business strategy for the period until the end of year 2000;
- the balance of approximately HK\$38 million for general working capital;
- in the event the Over-allotment Option is exercised in full, the additional net proceeds (based on an Offer Price of HK\$1.40) of approximately HK\$30 million will be applied by the Group as additional general working capital.

To the extent that the net proceeds of the Share Offer are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds will be placed in interest-bearing deposits with financial institutions. In the event there is to be any material modification to the use of proceeds as described above, the Company will issue an announcement of the change.

In the event the Offer Price is less than HK\$1.40, the net proceeds allocated in respect of working capital shall be reduced accordingly.