

Talking to the World - the Translation Software

Business Plan

by Creative Soft Company

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Executive Summary

Creative Soft is a software development and marketing company. It is founded in September 1997 and is jointly owned by four people. The objective of our company is not only to develop high quality software, but also to market our products as innovative solutions to customers. Currently, we are in the initial phase of looking for sources of financial support for our new project on the venture idea - the translation software.

It is evident that there are many great opportunities for both computer software and hardware industries to take on the fast growing market of mainland China. As the standard of living keeps on improving, many families start owning personal computers and get connected to the internet. People in China are being introduced to a whole new world of information. One barrier to this surging market is that most of the information they get are in English. Given the fact that there are quite a number of people in China who do not know English at all but want to get involved in the internet, we want to introduce an English <=> Chinese translation program that helps them get through this language barrier. This solution saves them time and effort in obtaining information, communicating and in entertainment.

The English <=> Chinese translation is the first version of our translation program, Talking to the World. The translation software that we are proposing will be able to incorporate into MS Windows 3.1, 95 and NT seamlessly. Users are then able to use their favorite programs like Netscape, Internet Explorer and the numerous mail and news reader out there. Apart from using the internet tools, users can also apply the translation software to PC programs like MS word and Excel. Instead of reading news, mail and browsing HTML pages in English, they are reading Chinese. Together with the recent success in hand writing recognition of Chinese character, people can post news or reply mail in English by actually writing in Chinese and yes, by hand. Actually, this product brings many appealing benefits to customers. For example, customers are exposed to much more new information that may ultimately help them in many ways. Also, if a company wants to issue a document in both English and Chinese, they will be required to write the document in either language only. In this situation, our products help save time, cost and labor. From another perspective, people in other parts of the world have the chance to analyze the historical, economic and other information written in Chinese about China. This facilitates researches that have to be done.

What the translation program actually does is that it runs in the background of the Windows environment. Every time it encounters an English sentence in any of the programs that is running, it will translate the sentence into Chinese in a standard multi-byte character representation (eg. unicode). Finally another component of the translation program, the multi-byte character interpreter, will then display the corresponding Chinese characters in the original application program.

Preliminary financial forecasts show that we will be spending mostly on the development of the technology and on marketing the product. Since the market in China is so big, advertising the product to every potential user is very difficult. However, since the purchasing power of people in China is becoming higher and higher, it is predicted that about 1/2 of the people who own a PC in China will demand our product. Therefore, we have to carefully set the price of the product in order that those people will afford to buy. In fact, the above are just brief forecasts about the size of the market and the development trends in China. A more comprehensive analysis of the market and pricing will be provided in later section of this document.

Our primary objective is to penetrate the Chinese personal computer and software market by having at least 50% of the new computers sold in China pre-installed with our products in 3 years. In long term development, we expect to dominate the software translation market by

having at least 50% of the market share of all the translation products installed in personal computer in the whole world. However, our technical skills and marketing power applied to the product development will be the key to achieve this objective. Although the success of the software depends heavily on the underlying technology, the way to reach the objectives depend even more on how we are going to market it. The technology and marketing strategies that we use will be further elaborated in the later sections of this document.

We will estimate the return on investment in the next 5 years. The estimations are to be realistic, and convincing to our potential venture capitalists. Details will also be provided in the future sections.

Our Management Team

The management team currently consists of 4 people:

- < Stephen Chan Ying Ming.
Specializing in Information Systems. Responsible for research on issues that tie with technology..
- < Gary Leung Ka Yee
Specializing in Information Systems. Also responsible to research and write on issues concerning technology.
- < Stella Leung Tsui Ping
Specializing in Information Systems. Responsible for research on the competition and marketing.
- < Vincent Wu Man Shun
Specializing in Information Systems. Responsible for marketing research and financial forecast.

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2 The Market

2.1 Market Identification

Our targeted market is the Chinese people in the world. From statistics, it is found that almost one third of the world's population is Chinese. In fact, many Chinese people scatter in different parts of the world, for example some Chinese people immigrate to North America and other Asian countries. Although those Chinese may know English, they may not be fluent in both Chinese and English. Therefore, they may still need English to Chinese translators. However that contributes only a small part of our market and our main focus is Chinese in mainland China. Total population in China is about 1.2 billion. On average, there are three people in each family, that means there are approximately 0.4 billion families in mainland China. Owners and potential users of personal computers in China will be our market for this translation software. As a result, families, schools, universities, companies and the government in China are all potential users of our product.

Brief estimation : There are 0.4 billion families. About 5% of the families are owning personal computers and 3% more of the families will be potential buyers of personal computers in China. On the other hand, other institutions like companies, factories and school have approximately 150 thousand computers needed. Altogether, we estimate to size of the PC market in 1-3 years to be about 33 million.

2.2 Market Characteristics and Segmentation

In this section, we are going to present some geographic, demographic and other relevant information to describe the characteristics of the personal computer and software market in China.

- < Our translation software is compatible with MS windows and about 90% of the personal computers sold in China are installed with MS windows.
- < 22% of the 1.2 billion people in China are in urban cities. There are 40 cities with over a million people. About 264 million Chinese people lives in the cities and they are exposed to more advanced technology like computers.
- < According to a mid-1996 report, the average total financial assets for a rural family is about US\$3,900 and about 85% of the people leave all their savings with the banks. Therefore, even families in rural areas can afford to buy a personal computer with their savings in the bank considering this statistics provided. Although, the \$3,900 number may not be substantial, the total savings deposit in China amounted to about US\$800 billion, an increase of US\$100 billion or 30% over 1995. At this rate, China's total savings will be over US\$1 trillion before the end of 1997. China has been leading the world in saving rate increase. Since people are saving about 30-35% of all their income, this is a good indication that people in both urban and rural areas can afford personal computers.
- < Prior to the Communist takeover in 1949, only 20% of the Chinese public could read. Today the literacy rate is nearly 78%. In order to close the country's gap in advanced technologies, Chinese educators stress science and mathematics. Due to the high literacy rate that indicates the ability to read words from the translation software and to input words for translation, as well as their emphasis on science and technology, our translation software will prove to be of paramount importance to them.

- 〈 The following is the statistics for the education system in China. Elementary School children enter at the age of 6 or 7 for a 5-year period. Subjects include Chinese, math, science and foreign languages like English. About 95% of China's children attend elementary school. Children in the cities have a higher attendance rate than those in the country. The norm is 5 years of secondary school for city students, and 3 for most rural programs are quite diverse but emphasize science and technology. These statistics and information provide evidence for improving education in China, thus resulting in the increase in demand for tools like our translation software to help them.
- 〈 Chinese has only one written language system. That means, our design is serving everyone in China that affords a personal computer and know how to read.
- 〈 Statistics shows that among the foreign investors in China, 89 of them have reported sales of over US\$ 120 million, up from 57 million in 1995 and the sales of the 500th foreign company was US\$30 million. The above statistics clearly shows that foreign investments in China are thriving. Therefore, we are convinced about the China market and its potential since China is considered to be the "truly last market of the world".
- 〈 China is eager for western technologies in order to achieve rapid modernization. China has an Open Door Policy towards other nations since 1982 which encourages foreign investments sends students abroad for training seeks to improve China's basic infrastructure. This factor also shows us that Chinese people are willing to spend on the computer hardware and software market and on our translation software because they will be interested in the new information that our software provides for them.
- 〈 At the same time, China has a rapid economic expansion program. This creates a need to import technology and hi-tech information from the rest of the world in assisting them with their own development students. This is a continuation of the elementary education. College and university
- 〈 Many other issues affect investments in China. The most important ones are legislation and government regulations. However, those regulations will be in favor of our investment since the Chinese government encourages advanced technology to be developed. They want to attract foreign investments to divert these huge capital influx to help to readjust its domestic industrial structure and economic policies.

The following are estimations for some of the useful numbers.

On average, almost 97% of the families in the cities have phone lines. So they will be able to be connected to the internet. Also, about 30% of the children going to school are currently learning computers. From the above statistics, we can conclude that at least 95% of the children in China know Chinese and a little English since they have attended or they are attending elementary school.

2.3 Market, Near-Term

Use the information in 2.1 and 2.2, we have predicted to penetrate at least 50% of the personal computer market in China that is a total sales of about 15 million sets of our software.

2.4 Market, Long-Term

For long term estimation, we have to take into account that we will be incorporating other languages into our translation software. That means the market for our software will not only be China, but also for many other parts of the world. Also, we have to consider the changes in demographic and geographic characteristics in the long term. For instance, we have to observe the increased level of income and the improvement of the standard of living. Better education and migration from rural to urban areas will also be factors that affect the market of our product. However in using information from 2.1 to 2.3 to do the prediction, we have estimate to have 50% of the market share of all the translation products installed in personal computers in the whole world.

The numbers predicted above for the short term and long term markets are basic objectives of our company. How we are going to achieve those objectives is going to be discussed in the later section of this document in which we will outline our marketing and sales strategies as well as the competitive edge of our translation software.

3 The Product and the Technology

3.1 Description of the Product

Although English is a universal language, there are still enormous amounts of people around the world who do not understand or know very little about this language. For example in China, education on learning English is limited due to various reasons.

At the same time, Internet is starting to spread at many locations in China recently. However, English still dominates as the standard for providing information on the Internet. Therefore, an English <-> Chinese text translation program is a tool to assist people in China who want to read English web pages, newsgroups, e-mail etc. The translation can also be in real-time in order that people in China can participate in chatting on the Internet. Another important function of the translation software is to allow users to operate their computers or create documents with their favorite language.

Talking to the world is a very powerful software for commanding the Chinese language. There are three levels of translation accuracy in order to suit different people's need. Furthermore, the pricing will be different so that people can choose their own level of financing. Talking to the world provides a word or phrase translator for translation of Chinese <-> English and this is Level I translation. The Level I translation is very basic and it only supports limited sentence and grammar structures. It is mostly word by word translation with a little grammar support. Level I of our software bundles with a general dictionary that allows the user to add, delete and modify new words and phrases. Level I translation is ideal for general users that is willing to pay little for this translation software. No PCI card or hardware required for this level of translation.

Level II is a plug-in to our Talking to the world. Level II translation uses AI (Artificial Intelligence) and our special algorithm to recognize sentence and grammar structures that provide a much faster and accurate translation in comparison to Level I. That means translation is not word by word but sentence by sentence and the translated sentence will be of correct grammar. As mention above, Level II also comes with a general dictionary that allows the user to add, delete and modify new words and phrases. Level II translation is ideal for business users since translation can be done with more sophistication.

Level III is also a plug-in to our Talking to the world. This is the highest level of our software in terms of accuracy. It comes with extensive technical dictionaries (i.e., computer science, engineering, mathematics, business, law, and economics) which can be updated by just a click after you connected to the Internet. Our web site will constantly modify the dictionaries so that our users are able to have the most updated dictionaries. Level III translation is ideal for corporate users.

Both Level II and Level III give you the most accurate Chinese translations possible. It translates full sentences, recognizing the meanings of words in context with how they are used in the sentence. This is made possible because the dictionary provided with Talking to the world is built on both single words as well as word phrases. As a result, the software can accurately translate special terms and sets of words with unique meanings.

Talking to the world (Chinese <-> English) gives the user Chinese Word Processing, Chinese True Type Fonts, Chinese<->English Automatic Translation, and Chinese Internet Browser capability. The following is a list of components of Talking to the world:

a) Chinese Manager :

With the Chinese Manager, your English Windows is now Chinese Windows as well. This is valuable to those users who use English Windows and do not want to spend extra money on buying another language of Windows. Sometimes, installation of both Windows system may not be possible due to system resource constraint. The users can now use all their favorite Windows programs such as English word processor, spread sheet, database, graphic programs etc. to input and output Chinese. It is equipped with the most popular Chinese input methods including an advanced English <-> Chinese translation input. It provides a dynamic method of typing in English words or phrases and automatically translating to Chinese. This is convenient for any bi-lingual (English and Chinese) users.

b) Automatic and Manual Translation :

One way to do the translation is automatic translation. This is accomplished by running the translation software in the background of the Windows environment, whenever it encounters a sentence in English, it will be translated into Chinese. The translation option can be turned off for any particular program and manual translation can be performed instead.

This is the core of our Talking to the world. First you highlight the English text that you want to translate and click the “translate” button. The translated text will then paste to the clipboard, then you just replace the highlighted text with the content in the clipboard. This translation can handle English to Chinese as well as Chinese to English. For English to Chinese it contains Artificial Intelligence (AI), which determines automatically grammar and sentence structure. For Chinese to English, the AI technology will be available at a later stage due to cost and benefit reason. However, Talking to the world still provides a straight word-phrase translation at this moment which is a great advantage. Although the translation does not guarantee correct grammar every time, translation will still be reasonably acceptable.

c) Internet Web surfing and E-mail :

Talking to the world provides user with the ability to translate the English web pages you are interested in into grammatically correct Chinese web pages. The users are able to use their favorite browser (IE, Netscape), it is not necessary to use a special browser for our software. Therefore, users will have all the benefits from our Talking to the world without forcing to use another specific browser.

In addition, translating English->Chinese e-mail and send your Chinese->English e-mail provide user to communicate to the outside world without the language barrier. At the same time, people can read English news groups and they can also participate in the discussions.

d) True Type Fonts :

Talking to the world also provides over 15 different Chinese true-type fonts to enhance the word processing ability.

e) Learning English and Chinese:

Our software contains a learning center for people who are interested to learn Chinese or English. For example of a English user wants to know a specific word in Chinese, he can simply type in the English equivalence of the word and then the Chinese word will be provided. The users can also play games in learning such as having quizzes on the words that they have just learned.

In providing the functionality, if the user is using Chinese Windows, the sentence will be displayed in Chinese without any problem; however if the users is having English Windows instead, we will provide an add-on software (Chinese Manager) for them to interpret the multi-byte characters in displaying the Chinese text. While saving any translated documents, the translation program will ask the user whether they want to keep the text in Chinese or English. By backing up file for original documents before any translation takes place will avoid translating the translated text back to English when requested by users.

In the following paragraph, we are going to discuss the several advantages of Talking to the world - Chinese <-> English. Our text translation program will run transparently under Windows environment. Once the program has been executed, users will have every English text translated into Chinese without specifying any command. The greatest advantage of our translation program will be the fast, accurate and reliable translation in comparison to other similar software. Furthermore, the flexibility and the diversity of functions are also benefits of our translation software.

The exact time to translate a page of text will be calculated later. However, it is proposed to be a reasonably fast process.

3.2 Description of the Technology

The English <-> Chinese text translator is made possible by using latest AI (Artificial Intelligence), special algorithms designed by our company, and expertise in translating English to Chinese. We have to research on ways to improve speed and accuracy of the translation process since the main problem for existing translators in the market is speed (not fast enough) and not fully grammatical correct. Therefore special algorithms are needed to improve the speed of the translation along with accurate grammar. Our translator will examine one complete sentence at a time and analyze its grammar structure with AI. Then using the special algorithms, it translates the analyzed sentence to a Chinese sentence with correct grammar. An accurate translation should be obtained 95% of the time. Finally, the program will display the translated sentence back to the user's favorite program (e.g. Internet Explorer, Netscape, Eudora).

Basic algorithms and software development may be assisted through licensing of our technology from a third party company. By co-operating with a company that is working on this technology, we will be producing our software in a shorter development cycle as they have more experiences in text translation technology. Although we are co-operating with other company, our special algorithm will not be exposed to them since the algorithm is well modularized, and therefore none of our proprietary algorithm is needed in their company's development process.

After all the basic functions and interface have been developed, we will take the product back to our labs and implement our special algorithm. Well modular design of our special algorithm provides many advantages to our development process. One of the advantages is that the implementation of our special algorithm can be done simultaneously with the basic product development. Our special algorithm is mainly compose of two components, i) re-analysis the text (analysis by AI already) with intensive grammar checking, and ii) actual translation from the dictionary library (with fast retrieval). Afterwards, we can merge the basic software and our special algorithm to make the final product. The software will then be tested and debugging process will be conducted.

We might actually implement a PCI card - as a hardware add-on for our Level II or Level III users, that helps to speed up the translation time in order to achieve real time. This can be used to reduce CPU usage, as well as to prevent software pirate from using illegal copies of our

software without permission. The PCI card production will be collectively done with a third party company.

3.3 Proprietary algorithm and Patent

In fact, there are many ways to protect our product by a patent. However, the most effective way of attracting everyone to use our software is to control the quality and functionality offered by our product. For example this is how Microsoft becomes the virtual "monopoly" of operating systems. Therefore, it is important to have propriety algorithms that in some way enhance the quality of our product to make it superior and unique.

Our special algorithms are far more superior to those in the market now. It takes sentences and translates the grammar structure of English to Chinese in a fast and reliable manner. If the processed text is not translated as you expected, you can actually "teach" the program the correct way of translation and the program will "learn" with AI technology. This allows the program to translate increasingly accurately as you increase the usage.

Similarly, we will develop a proprietary algorithm that recognize and translate the misspelled words in order to make the product more unique. This can be done by doing a spell check with the input document, if a spelling mistake is found, use the AI technology to replace the mistake with the most suitable word before doing the translation.

Apart from having algorithms that improve accuracy, we will also have proprietary algorithms that speed up the process of translation, as suggested in the above section. If the process can be speeded up to a reasonably short time, then we can bring in the real-time technology that allows users to use the software in real-time chats and conferences.

Apart from the issues on accuracy and speed, we also have a diversity on the functionality that is supported by our translation software. At this moment, a text-to-speech add-on is available to transform Chinese or English texts to speech after translation. Although this add-on is extra, it is a useful tool especially if someone is planning to have a conversation with a Chinese-speaker.

By speeding up the translation process, a speech translation implementation will soon become reality. The process is possible by simply using the speech recognition technique to get input in Chinese, then using the translation algorithm to translate, and finally, output the English text into speech. There are still a number of challenges on this product, but it will be accomplish with ongoing research and development within our company.

3.4 User Benefits

Apparently, it seems to us that our customers (end users) are having all the benefits from our translation program. In fact, all the Netizen (people on the web) will benefit from our product, especially for those companies that have commercial web pages.

For customers who do not know English, the benefits include:

- Reading English web pages in Chinese now!
- Ability to communicate with English speaking people via email or newsgroup!
- Online chatting, provided by our real time translation.
- Comprehensive knowledge and information.
- Convenience, time-saving, no more dictionary.
- Provides means of entertainment e.g. playing English games on the web.
- Saves time for searching through dictionary.

- Improvement on English through the translation.
- Learn English or Chinese!

For general Netizen:

- More people will be able to read and "understand" web pages of another language.
- Can communicate to people belonging to different cultural groups.

For commercial on the web:

- More people will be able to read their advertisement through the web, and hence more people will buy their advertised products. Keep in mind that the market in China is enormous.
- Expand to larger international markets.

3.5 Other Customer and Cultural Benefits

Improving computer sales since people not knowing English at all are now able to use computers with full functionality.

China's Internet Service Provider (ISP) will also increase their customers since people can surf the web without any language problem now.

Doing business to other country is easier than before. More understanding between business companies result in a more harmonize situation.

Getting connected, (to the Internet) even if you do not know English, browsing through web pages and reading news is more 'friendly' and easy since they are now in your native language. This product will reduce time needed in browsing web pages to find the required information. Making more friends internationally becomes possible and learning from other countries' culture also becomes simple. On the other hand, other cultures is able to understand more about people in China, which give China a more friendly and realistic image (general image of China is poor, and uneducated).

3.6 Development Plan

The first step in the development will be to start our research on both the technology and the market that we are targeting on. For the research on the technology, we may be looking for a firm that can establish partnership with us in terms of providing us with the basic translation technology. In terms of marketing our product, we have to collect all relevant information on our target customers. For instance, we have to find out the number of PC ownership in China, what do potential customers think about our product and at what price will the users afford to pay for this software, etc. These data are briefly identified in the above sections.

Besides, in order to become the pioneer in the translation technology, we have to form a research and development team and work on the technology break-through, that is to work on our proprietary algorithm.

At the same time, we have to obtain financial support. We will prepare a complete business plan to major banks for loan. In order to gain bank's confidence, we must have a profitable plan along with a reliable forecast on market. This will be accomplished through intensive research and meeting.

After we get a source for funding, we can try to work on the development of the actual product, otherwise it will be too late to have our product released by then. In achieving this, we have to form a development team that works closely together with the research team. Also, we must form a management team to coordinate different team's activities in order to improve efficiency. Management team also provides schedule for teams to follow, which will make sure our product can delivery on time.

Implementation of our software's basic system will be complete by third party company. At the same time, we will start implementing the special algorithms. We will test our special algorithms thoroughly before merging to the basic system to minimize the cost of testing and debugging to a larger piece of software. After that we will merge the two modules into a single one.

In fact, planning for sales and marketing can be done in parallel so that by the time the product is ready, we will have established an extensive market for our product. Advertisement is essential for a product. We will build a web page which contain all the functionality and advantages of Talking to the world. It also provides a 30 days partly functional version of our software for potential user to download. In order to get the full functionality, one must purchase our product either through our web page or from the vendor. Bugs or problem may report to our company through e-mail. By posting advertisement in related popular web sites, such as TwinBridge (a Chinese interface add-on), Yahoo in Asia, or China's newspaper web site, we will be able to maximize the exposure of our product to the open market. Advertising through TV by popular Hong Kong popstar is also effective since people in China are easily influence by idols.

Testing is the next phases of development. This should be handled carefully and the product should be tested thoroughly before releasing that to the public. We will place our beta version on the web for user to try and report errors. Then we will eliminate all the possible bugs in our software before release.

Maintenance and future development is the last phases of development. We will provide a support group that solves user's problems encountered in our software either by e-mail or direct phone line. Patches for fixing bugs will made available through our web page. Further development with new technology will be an ongoing task for our company. In particular, techniques for improving the speed and accuracy of translation are our main goal. Also, the Speech Translation is also a big topic in our future plan.

4 Competition and Competitive Edge

4.1 Major Competition

We must carry out an in depth competitive analysis for our product positioning. Companies that are currently working on text translation are our biggest potential competitors. They include:

- Text translation software company.
- Dictionary software company.
- Chinese interface plug-in for English Windows

We should investigate the text translation companies' technology and come up with a much superior (both in accuracy and speed) software. In the case for software that translates French to English, it is considered as easy since their grammatical structure is similar. On the other hand, grammatical structure between Chinese and English is totally different and it is somewhat difficult to translate that by computer programs.

Since we are new to the market and new to the technology, we are not in a strongly competitive position in this market. However, if we are able to establish partnership with a text translation company that had already been working on the AI technology for translation, we can gain competitiveness. First, we have our diversity for Chinese English translation and our proprietary algorithms on accuracy and speed. We also have proprietary algorithms in recognizing and translating misspelled words. Second, our management team is Chinese, we have knowledge on the Chinese language as well as the Chinese market that we are targeting on. (These features will all be discussed in details in section 4.2.) Therefore, once we have succeeded on our software with the special algorithms, this proprietary technology will surely put our company in the leading position in the industry with our comprehensive marketing plan.

Strength:

ACCURATE and FAST translation! Proprietary technology for fast English <=> Chinese translation and on translation misspelled words! Knowledge in the Chinese market, especially understanding on the characteristics of our customers, the Chinese. Therefore, it makes us easier when planning on how to market and sell our products in order for it to be successful.

Weakness:

New to the technology and to the market. Extensive research has to be done on the technologies in order for us to catch up with the development pace of our competitors. Also, we have to successfully develop our product in a short life cycle for our product to be released at the right time. (Not too late!)

We should position our text translator to be highly accurate, fast and compatible to user's favorite programs with useful add-on such as the text-speech transformer. Finding expertise in English to Chinese translators and funding will be our immediate concerns. Moreover, relation to China's software market is very limited for our company, therefore, establishing good relationship with the Chinese market is very important too.

Barriers to entry from new competitors

One of the barriers to entry comes from the patented translation algorithm since development for such an algorithm takes time and effort. Also, as will be discussed later, the low profit

margin of this product will prevent companies from entering the business as the cost-benefit may not be balance in the beginning. Details of this issue will be discussed in the later version of this document.

However, if we can have the best translation product and occupy a fairly large portion of the market by offering our proprietary algorithms, new companies will be scared away.

4.2 Competitive Edge

As mentioned in the above section, the benefits that our software provides will be one of the selling-point of our product. For example, by means of our proprietary algorithm that recognizes and translates misspelled words, we gain competitive competence. Also, fast, accurate, reliable and easy-to-use software is always attractive. In fact, careful interface design that suits the Chinese people in China may also be a competitive edge. However, this is not sufficient to stay in the most competitive position since successful marketing and sales strategies are also crucial.

We are Chinese ourselves and so we are familiar with the Chinese language, this is definitely an advantage for us to develop such a product. At the same time, we understand our customers, we know what they need and we know how to sell and develop our products in order for it to be the most attractive to most Chinese people. On the other hand, it is easier for us to learn about the market in China and we have more sources of information in the area of marketing in China. These factors combine to help us gain competitiveness in this area.

5 Marketing and Sales Strategy

5.1 Basic Strategy and Positioning

Our primary objective is to persuade people buying and selling new computers that come with MS Windows to add our translation products in their packages. As our product becomes a pretty standard accessory to the new computers, people who already own computers will also be interested to install it with the existing windows environment too. Our products will be targeted at the personal computer market for leisure and general usage and to expand it to the business sectors in the near future. This is because there are much more legal concern we have to deal with if we sell our products to business users. Therefore, it takes time and effort for us to settle those issues before we can extend our product to a upper level. It is wise to stay focused to the Chinese market and test our products in this consumer market first since this is the market that we are actually familiar with.

Our basic marketing and sales strategy is first to develop a marketing and sales plan, find out as many channels as we can for marketing and promotion. Also, we need to be familiar with our translation product. We have to decide on what superior features do we offer and “what to sell.” For our Chinese English software, accuracy, speed and reasonable pricing are all outstanding features. At the same time, researches and surveys have to be done on the market that we are targeting on. For example, we can try to find out what kind of marketing strategy is favorable and what kind of promotion events will be the most attractive to each segment (i.e. for general users, students, and companies respectively.) Furthermore, careful design on the packaging is also a factor to successful sales. After considering the budget available, we will choose the most effective way in selling and marketing our product.

Alternatives to selling and marketing the product on our own is to establish partner relationship with Microsoft in order to have our product bundled with MS Windows sold in China. However, this strategy is more complicated and will be discussed further in the later version of this document. ...

5.2 Pricing and Maintenance

We will adopt market penetrating pricing strategy at first. That is, we will sell our products at a very attractive introductory price. We are planning to have US\$89 for our level I product, US\$159 for our level II product and US\$199 for our level III product. The text-to-speech add-on will be set at a price of US\$49. All the pricing includes the full version of the product. The low pricing strategy has two more benefits. We can hinder people from duplicating our program illegally since the price of a registered copy is so low. Moreover, we can delay the entrances of future competitors by having a low profit margin in the first place. After we have established our name in the market and confidence in consumers' minds, we can then roll out newer versions with more functions, higher levels of user friendliness and higher price tags. By then, our superior reputation will put us in an advantageous position. Old users are able to purchase upgrade versions that are priced lower than those full versions for the first time users. We will be updating the most current version frequently by removing bugs, adding extra functions and improving the dictionary and database. All users are able to download patches from our FTP server that do automatic adjustments to the installed translation programs.

For support and maintenance, we will provide on-line assistance to our users by means by asking questions on our company's web page. Our technical support staff will than try to answer the question as quickly as they can. This will be free of charge, however we will not provide answers to all questions because of obvious reasons. Larger customers such as the

big firms may also register for our on-site assistance program. Customers may be required to pay a small fee and a fix number of on-site helps will be provided upon customer request. ...

5.3 Distribution

To penetrate through the new personal computer and software market, we will distribute our software as OEM version to main computer manufacturers. By stripping all the unnecessary packaging, we can reduce our costs in producing and transporting our products to customers. Computer manufacturers can further lower the costs by simply purchasing mass quantities of registration numbers and pre-install the software if they decided it is not necessary to include the original CD in the new computer packages. Beside the OEM version, we will also manufacture the full packaged version with attractive box and menu. These full versions are targeted for those people who already own personal computers. Those full-version software will be shelved in computer stores and large department stores. Moreover, we will offer a trial version that contains most of the functions of a registered copy. People are free to download it from our web site and try it for a month. It will be a non-functional one after the trial period. Any person who like the software can register through our web site and download a fully functional registered copy. This copy is virtually identically to one that can be brought in a store.

5.4 Advertising and Promotion

First, we will carefully design (maybe with help from some renowned designers) our product name (temporarily named Talking to the world - Chinese <=> English), logo and all relating literature. Our main objective is to build our corporate image as a company specializing in software for MS Windows environment and our products as 'The Ultimate Translation Software'. We need to establish good relationships with the media, especially those computer magazines and newsletters. We welcome them to test our products and publish the results in their magazines. Concerning advertising in computer magazines, we will also look for those read by many of our potential customers, for example, magazines targeted at teenagers and financial magazines targeted at high income groups. Our advertisements will stress the user benefits of our products and the attractive pricing. A web site will be set up to communicate our corporate image and distribute company and product information to the public. We will also hold booths in trade shows and exhibitions to demonstrate out products to possible buyers.

Other advertising and promotions include holding games and performance that relates to our product. For example, we may invite singers to the program and promote our product to teenagers. We may design a few separate television advertisements that combine to a complete story. We can also have radio and web ad. Since this is a new product, we can set up a counter in a large computer store and employ a demonstrator to teach shoppers how to use the product and inform them of the benefits of out product.

(If our product is bundled with MS windows, the promotion and advertising have to be done jointly with Microsoft.)

All kinds of promotion and advertising events are possible subject to budget constraint and customer acceptance. As a result, it is not easy to come up with the final plan at this moment. However, objectives of the promotions will be to reach every potential customer and to convince them to try our product. Further details on this issue will be discussed in the later version of this document.

6 Financial Forecasts and Projections

The projected new computer sales in China for the next five years is attached as the sales schedule in Appendix A. The number of OEM and the full packaged versions of the translation software that we are expected to sell in the coming five years also appear in the same appendix.

6.1 Short-term Projections

We expect the initial development phase of the software to take around half a year to finish. While we are developing the software in the lab, we will establish our sales channels at the same time. Therefore, we are ready to release our software as soon as it is completed. In the first year of the operation, 15% of the new computers are expected to ship with our software pre-installed. A relatively small number of the full packaged versions will be shipped since the software is not yet well known to the consumers. The projected financial statements, including quarterly balance sheets, monthly income statements and statements of cash flow for the next year are provided in Appendix B. (All figures are quoted in Canadian dollars)

6.2 Medium-term Projections

A partial projected monthly income statements for the second year is provided in Appendix C. Quarterly balance sheet and monthly statements of cash flow will also be provided in the final version of this business plan. There are many more things we have to consider here, for example, amount of receivables, inventories, payables that are reasonable when the company increases in sales. Considerations of the short term investment to increase profitability and so on.

Quarterly income statements and statements of cash flow, semi-annually balance sheets will be provided for the third year.

6.3 Long-term Projections

Similarly, quarterly income statements and statements of cash flow, semi-annually balance sheets will be provided for the fourth and fifth year.

6.4 Assumptions

Market will be as we predicted in part 2 'The Market'. There will be no unexpected improvement in computing technology in the coming 5 years. There will be no dramatic change in regulation for software business in China and so the climate for doing high tech business remains unchanged in the near future. In general, we are making out best guess backed by all the relevant data and documentation.

7 Investment Proposal

In this section, we will talk about how much money we are going to raise and where will the money be spent. Besides, we will also outline the exit plan for the investors. Notice that all figures are quoted in Canadian dollars.

7.1 Funds Required and Their Purpose

Initially, the four partners founding the company will each put in \$150,000 to the company. The amount of venture capital that we are looking for is \$600,000. They will be issued as common stocks. Therefore, the 34 founders together control 50% of the company and the other half will be given out to the investors providing the venture funds. Another \$300,000 will be issued as bonds and giving an 8% interest annually to the bondholders. These bonds will be backed by collateral such as computers, office equipment and ownership of the software developed. Therefore, we will be putting together a total of \$1,500,000 to get our translation software business started.

The areas where we are going to spend money on include: salaries for programmers, salaries for language specialists, computers, equipment, design costs for packaging, costs required for setting up distribution channels, advertisements in magazines, promotions in schools and trade shows, lawyers, accountants and auditors.

7.2 Return On Investment

Base on our forecasts and projections in part 6, we will estimate the return on investment in the next 5 years. The estimations are to be realistic but convincing to our potential venture capitalists.

7.3 Exit Plan for Investors

A compelling description saying how investors can pull out by selling his/her shares with significant capital gain and bond holders can get their principles back while enjoying reasonable interest payments 3 to 5 years down the road will be included here. Basically, we are planning a stock buy back program in the 4th or 5th year of the operation. The buy back price would be around 35 times of EPS at that time since P/E ratio of 35 is typical for a profitable software company.

7.4 Sources and Timing for Future Investment

Indicate when we will need more investments as our company keeps expanding, also how and where are we going to obtain those investments.