Koretide Corporation Executive Summary

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Executive Summary

Executive Overview

Koretide Corporation (hereafter referred to as “Koretide”) is a leading software company in the 3C convergence space that is developing China’s homegrown, open and widgets enabled embedded operating system – Elastos OS, currently focused on data-enabled smartphone phones with future extensions targeted within the high definition television marketplace.

TD-SCDMA and Market Significance

Although the Elastos OS is platform independent – it is uniquely focused on the TD-SCDMA standards through an endorsement that Koretide has received since 2002 in the form of strategic financial support from China’s Ministry of Information Industry (hereafter referred to as “MII”) and China’s Ministry of Science and Technology along with quasi venture funding from various Beijing and Shanghai Municipal Governments. These financial contributions to the development of the Elastos OS have been specifically been targeted to facilitate China’s aspirations of establishing its own mobile standards vis-à-vis TD-SCDMA.

China as a country is determined to showcase TD-SCDMA as their own 3G mobile standard in time for Beijing Olympics 2008. The positioning of TD-SCDMA by the Chinese government will have a direct impact on the potential market size of WCDMA and CDMA 2000 in China’s 3G rollout. The impact of TD-SCDMA in the world’s biggest and most lucrative mobile market cannot be underscored as several global technology vendors including Huawei, ZTE, Siemens, Samsung, Philips, Analog Devices, Nortel and Motorola are all involved in the development of TD-SCDMA.

Koretide with the Elastos OS is currently the only domestic company in China as far as we know to provide a fully functional OS software platform specifically for 3G mobile markets.

Industry Outlook on 3G Rollout

Mobile operators will need 1 to 2 years to build their respective 3G networks after the 3G licenses have been awarded. Expectations for the 3G license awards have been revised to Q1 of 2007 to give further time for TD-SCDMA trials and perhaps to allow for the much needed case for consolidation in the Chinese telecom space – all important criteria’s for the success of TD-SCDMA as a mobile standard in China.

According to MII projections, about 10 to 13 million people will sign up for 3G subscription within the first year when 3G commercial services are first launched; probably sometime in the year 2008. This number is expected to grow to approximately anywhere between 198 million and 266 million mobile subscribers in 2010, or approximately 40% of China’s then mobile population.

Market Opportunity

The focus of the management team on the TD-SCDMA opportunity notwithstanding, Elastos OS is also currently being evaluated by local Chinese design houses and handset manufacturers for 2.5GPRS. This is a significant development as currently there are no 3G revenues in China today, and whenever China deploys TD-SCDMA, then TD-SCDMA / GSM / GPRS dual-mode will become a reality.

Recognizing the dual-mode realities of the world that will confront the Elastos OS, Koretide intends to invest significant financial and technical resources in working with a variety of design houses and handset manufacturers in China that are part of the mobile value chain.

China is estimated to reach 600 million plus mobile subscribers by the year 2009. It is also estimated that there will be approximately 9.3 million smartphones sold in China in 2006 (Analysys Data) and that number is expected to grow dramatically year after year with the advent of 3G and the resulting data, financial, gaming and entertainment related services. Although it would be speculative to predict the exact share that TD-SCDMA will have by 2009; however a TD-SCDMA / GSM / GPRS dual mode reality is the larger opportunity that Koretide is addressing though its Elastos OS offering.

From a competitive analysis perspective the market size for the mobile OS opportunity is so huge that the Elastos OS can prosper even in the presence of BREW, Symbian, Microsoft and Linux. The demand for new OS enabled smart devices created specifically by 3G is estimated to grow conservatively at CAGR of approximately 35% to 40%.

Services Opportunity

The traditional licensing and platform development revenue opportunities notwithstanding, the Elastos OS is also uniquely positioned to take advantage of a Services Platform model that will partner with the mobile operators, system (network) integrators all working with the service providers to provide the facilitation of real time transaction based services all validated by the Elastos OS platform.

These services could range from providers of financial information such as the Shanghai Stock Exchange and Futures Exchange to the classical global or Asian entertainment companies to Asian and Chinese specific gaming service companies.

Mature mobile markets of Japan and Korea demonstrate that the opportunity to extend ARPU for mobile operators will move from voice to data enabled services to include gaming, entertainment, etc. The Elastos OS is a platform opportunity that will position itself to Chinese mobile operators to be their enablers for extended ARPU's.

Koretide and the Elastos OS is currently the only pure China play within the mobile OS

market segment that will also facilitate the next round of revenue opportunities and ARPU extensions for China's mobile operators and any number of companies within the mobile entertainment and gaming marketplace.

Revenue Opportunity and go-to-market Strategy

The uniqueness of a the 3G mobile OS market will enable Koretide to address multiple revenues opportunities beyond traditional licensing of the Elastos OS that extend to Platform Development and Components to Services Platform and Consulting (to include Digital Content Management) in a number of combinations that are each expected to continuously evolve as the market for 3G and more specifically TD-SCDMA are established.

On a forward looking basis the Elastos OS will generate four distinct revenue streams:

1. Licensing fees to mobile handset manufacturers;

2. Service fees from network operators and service providers by charging recurring run-time service fee, such as, by counting # of services, length of services, functionality of services, etc;

3. Service fees from content providers to collect data, sell services and serve up customized advertisements, through our unique technology, in addition to supporting Digital Rights Management for the Entertainment industry; and

4. Consulting fees by providing ISV a unified API and IDE tools and help them design and deliver customized solutions.

The Elastos OS is a disruptive solution, click-n-run, no concept of software and device drivers, etc., that can hide complexity and drive the adoption of technology, which simplifies the user experience and give the mobile subscriber more minutes, more bits and more productivity and therefore less battery usage and critical time extensions to enjoy true 3G services experiences and therefore additional service revenue opportunities.

The Elastos OS go-to-market Strategy is defined in a three phase staged approach:

Phase 1: Early Market / Cross the Chasm (2007-2008). The objective within this Phase is to work with Mobile Operators, Systems (network) Integrators, Services Providers and Design houses to make the Elastos OS run on at least 10 different handset lines i.e. with 5 - 10 different handset manufacturers working in conjunction with the design houses.

Phase 2: Market Penetration (2008-2009). The objective within this Phase is to closely work with MII and the 3G licensees (mobile operators) on an adoption strategy for the Elastos OS as the software platform for TD-SCDMA.

Phase 3: Hypergrowth / (2009- 20010) Open new Markets: The objective within this Phase is to develop an Elastos OS supported 3G eco-system in working with various applications and service providers across industries (financial to entertainment to gaming) while initiating selective international markets.

Technology Overview

The Elastos OS is the continuation of Web browser dream. Software as we know it consists of two parts: code and data. The traditional Web browser solved the problem of data distribution on the Internet. Now Microsoft (.NET) and SUN (JAVA) and many others including us (Elastos) are all working on solve the problem of code distribution. The key technology for a browser is to insert URL's into HTML pages, and the key technology for Web Services is to put URL's into specific software target code.

The Elastos OS eliminates the need to install software in advance, enables the user to click-and-run both Web pages as well as binary executable code. The Elastos OS facilitates on-demand loading and unloading programs according to task requirements, yet without the user's explicit specification on which software to install – facilitating in a user-friendliness that has not been seen in the marketplace to date.

The Elastos OS is a 32-bit embedded operating system that is based on micro kernel technology, with multi-tasking, multi-threading, pre-emptive, thread based multi priority task scheduling and other characteristics. It provides FAT compatible file system, which is bootable from floppy, hard drive, FLASH ROM, as well as network. Elastos is compact, fast and suitable for most embedded information system of the Internet era.

The Elastos OS implements the philosophy of Java and C# with native C and C++ code which provides a set of component calling standards, so that binary component can be self-described and dynamically linked at run-time and cross platform – essential to make embedded device support Web Services on demand.

The Elastos OS consists of three key technologies:

1. CAR (Component Assembly Runtime), a proprietary component based programming model which uses URL's to address programming modules and let them run in secure environments.

2. XML based graphics user interface, where we support commonly used graphics controls such as Button, DialogBox, ScrollBar, etc. It also treats user defined graphics control extensions as first class objects, i.e., XML may automatically access user defined controls just as XML access the Elastos OS controls.

3. The Elastos OS adopts unified data storage architecture, considering the Internet as the ultimate mass storage, whereas the local hard disk or flash could be used as

cache. The advantage of this strategy is that there is no need for users to explicitly install programs, which will greatly simplify the ease of use for consumers.

From the perspective of traditional operating system architecture, the Elastos OS can be viewed as a combination of micro kernel, component support architecture and key system server components that can be discussed in greater detail based on your investment due diligence criteria's and Koretide securing your confidentiality agreements.

The Elastos OS component-based technology with its total solution based architecture will enable the development of the most reliable and feature centric connected devices, quicken the time-to-market for its potential business partners and establish incremental revenue sharing opportunities in addition to the licensing opportunities of its core OS.

Equally important the Elastos OS has also been recognized by the TD-SCDMA Industry Alliance as a "world leading technology" an endorsement that is essential in order to secure further endorsements of the Elastos OS amongst the potential 3G licensees in China.

Intellectual Property

Koretide has applied for 36 patents, 28 of them in China and 8 of them in the US. Koretide will continue to make the requisite investments in filing for additional Patents in both China and the US and also in protecting its existing Intellectual Property post financing.

Strategic Partnerships and Team

Koretide has received grant funding from three city governments (Beijing, Shenzhen and Shanghai) and additionally from the Ministry of Science and Technology and the Ministry of Information Industry in Beijing. Koretide is a principal partner with both the above mentioned Ministries in China's determination to help create China's mobile standard vis-à-vis TD-SCDMA.

The principal co-founder, CEO at Koretide is Chen Rong, an alumnus of Tsinghua University, recipient of China's first technology Scholarship for graduate studies in the United States in 1982, later an alumnus from NCSA at the University of Illinois at Urbana-Champaign and from Microsoft where he participated in the creation of Internet Explorer 3.0, OLE Automation, COM, COM+ and the .NET projects.

Chen Rong is supported by a team of approximately 130 employees. The management team also includes Zheng Zhenyu (Corp. VP - Sales & Marketing) and Zhao Yan (Corp. VP – HR and Accounting) along with team members Lin Qinghong (Director of Biz Dev), Niu Jingyu (Chief Software Architect), Zhou Changquan (Director of Products), Zhang Dingwen (Director of Quality Assurance). All CV's available upon request.