

Annual Report 2003



Superdata Software Holdings Limited

(Incorporated in the Cayman Islands with limited liability)



Characteristics of the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (The “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange (“GEM website”). Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed companies.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

The annual report, for which the directors of Superdata Software Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Leading SME Management Software Development in PRC



Superdata Software Holdings Limited

(HKSE Stock Code: 8263)
("Superdata"/"the Group")

Develop, manufacture and sales of management software for PRC's small and medium enterprises (SMEs)

Small and medium business products



SD3000 series

SD Finance



Distribution Management System

Vertical products



SD Apparel Management

SD Property Management



SD Pharmacy Management

E2 products



E2

E2 Pro



Sharing the same vision with INTUIT — co-branded with the world leading SME management software brand, "QUICKBOOKS"



Major Achievements in 2003

Successful Listing on GEM of the Stock Exchange

— a milestone in the development of the Group



Mr. Cen Anbin (left) and Mr. Zou Qixiong (right), the founders and executive directors, celebrating Superdata's successful listing on GEM of the Stock Exchange in June 2003.

Products launched during the year

SD Pharmacy Management

March 2003

SD Accounting Pro

March 2003

SD Distribution Management System

June 2003

SD Production Enterprise Management

August 2003

E2 XP

September 2003

China Builder System (CBS)

November 2003

SD Accounting XP

November 2003

Contents

Corporate Information	5
Financial Highlights	6
Chairman's Statement	7
Management Discussion and Analysis	9
Business Objectives and Actual Business Progress Comparison	13
Use of Proceeds	15
Profiles of Directors	16
Directors' Report	19
Auditors' Report	30
Consolidated Profit and Loss Account	31
Consolidated Balance Sheet	32
Balance Sheet	33
Consolidated Statements of Changes in Equity	34
Consolidated Cash Flow Statement	35
Notes to the Accounts	36
Financial Summary	62
Notice of Annual General Meeting	63

Corporate Information

Executive Directors

Mr. Zou Qixiong
Mr. Cen Anbin
Mr. Lin Gang

Non-Executive Directors

Mr. Zhou Quan
Mr. Lin Dongliang
Mr. Jiao Shuge
Mr. Wang Lin

Independent Non-Executive Directors

Dr. Lo Wing Yan, William, *JP*
Mr. Sun Tak Dee, Teddy

Company Secretary

Mr. Lee Wai Ho *ACCA AHKSA*

Qualified Accountant

Mr. Lee Wai Ho *ACCA AHKSA*

Compliance Officer

Mr. Cen Anbin

Members of the Audit Committee

Dr. Lo Wing Yan, William, *JP*
Mr. Sun Tak Dee, Teddy

Authorized representatives

Mr. Zou Qixiong
Mr. Cen Anbin

Legal advisor as to Hong Kong Law

Iu, Lai & Li

Registered Office

Century Yard, Cricket Square
Hutchins Drive, P.O. Box 2681 GT
George Town, Grand Cayman
Cayman Islands, British West Indies

Head Office and Principal Place of Business in Hong Kong

Room 2004, 20th Floor
Gloucester Tower, The Landmark
Central, Hong Kong

Principal Share Registrar and Transfer Office

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Hong Kong

Principal Bankers

Hongkong and Shanghai Banking
Corporation Limited
China Merchants Bank
Industrial and Commercial Bank of China
Agricultural Bank of China

Sponsor

First Shanghai Capital Limited

Auditors

PricewaterhouseCoopers

Company Homepage

www.superdata.com.cn

Stock Code

8263

Financial Highlights

- Turnover of the Group amounted to approximately RMB39.5 million for the year ended 31 December 2003, representing an increase of approximately 33.4% as compared to approximately RMB29.6 million for the corresponding period in the previous financial year.
- Net profit of the Group amounted to approximately RMB15.6 million for the year ended 31 December 2003, representing an increase of approximately 35.7% as compared to approximately RMB11.5 million for the corresponding period in the previous financial year.
- Basic earnings per share of the Group was approximately RMB4.37 cents for the year ended 31 December 2003.
- The Directors recommend a final dividend of 0.71 HK cent for the year ended 31 December 2003 (2002: Nil).

	Year ended 31 December	
	2003	2002
	RMB'000	RMB'000

Results

Revenue:		
Turnover	39,502	29,606
Profitability:		
Profit attributable to shareholders	15,598	11,510

Assets and liabilities

Total assets	76,927	40,382
Total liabilities	(7,671)	(12,798)
Shareholders' equity	69,256	27,584

Earnings Per Share

Basic	RMB4.37 cents	RMB3.84 cents
Diluted	RMB4.25 cents	—

Chairman's Statement



"It is almost Superdata's 5th anniversary as I write this statement in New York City, where our founders first thought of starting a software firm such as Intuit in China. Evaluating what we have achieved in the past 5 years, I would like to say that the team has done an excellent job in creating and building the first listed company based in China in the package software field. Indeed, It opened up the market, by producing software packages which were easy to use and affordable to SMEs for the first time. Now, as the leading SME applications software vendor, we are very proud of the fact that 130,000 (30,000 in 2002) customers currently use the application tools built by Superdata engineers from cutting-edge technology to improve their daily business. Superdata has certainly made a milestone contribution in the history of China's software industry."

Cen Anbin

Chairman

2003 has been a great year for Superdata. Superdata was listed on the GEM board of the Stock Exchange of Hong Kong Limited on June 6 when the SARS epidemic was beginning to recede and life returning to normal. It has been a year of excellent growth for Superdata both in terms of profit and turnover. We recorded RMB15.6 million in profit with RMB39.5 million in revenue, a growth of 33.4% and 35.7% respectively over 2002.

Under the QuickBooks/Superdata Brand, 7 new products were successfully launched in the SME management field during the year. These solutions vary from vertical applications such as construction enterprise management to professional accounting. All these products have been built, keeping the heritage of the QuickBooks Brand in mind. The brand has created a leading reputation around the world as the number one SME management software for the past 17 years. These products lead the SME applications software in China, a reputation which has been further endorsed by several award from within the industry.

SMEs in China are prompted to increase their competitiveness. According to an IDC report in August 2002, the SME management software retail market is expected to grow at a compound annual growth rate of approximately 36.5% from 2002 to 2006. Superdata captured 80.1% retail market share of SME management software market on installation base in the PRC.

Chairman's Statement

In view of China's economic boom, and the huge potential in SME applications software market, we are preparing for the many opportunities ahead, together with any challenges we may encounter. Our goal is to build a software empire, serving SMEs and management professionals by migrating business intelligence and the best technology to meet the ever increasing business challenges as China takes on its historical journey to globalization.

Looking to the future, Superdata will expand its sales channels in the PRC and seek alliances with new channel partners. The Group will prudently assess partners and analyze market circumstances to ensure that the expansion will be beneficial for the Group's business development in the long term. The group is fully aware of that the way forward to realizing our dreams as to deliver solid value to our customers technically while also making a responsible contribution to society, such as the training and education of Chinese businessmen to meet international standards in modern business management.

As a rookie on Hong Kong's stock market, Superdata is strongly committed to bringing satisfactory financial returns to shareholders, while also demonstrating our integrity and trustworthiness through good corporate governance. With the accurate and timely disclosure of information, the Company aims to provide complete transparency to investors.

Appreciation

Superdata's employees are the source of our growth and success. I am very grateful to be able to work with such young and spirited team. I would like to thank all our staff very much and especially for their efforts during the SARS epidemic.

By order of the Board

Cen Anbin

Chairman

Hong Kong, 17 March 2004

Management Discussion and Analysis

Business Review

Results

The Group recorded remarkable growth in both turnover and net profit during the year 2003. Turnover amounted to approximately RMB39.5 million, representing a surge of 33.4%. Profit attributable to shareholders increased 35.7% to approximately RMB15.6 million. The weighted average basic earnings per share was RMB4.37 cents (corresponding period in 2002: RMB3.84 cents).

Operational Performance

During the period, the Group has directed its resources to the provision of packaged SME management software whereas the development and sale of customised software had been reduced to a minimal level. As such, the Group can intensely focus on the design, manufacture and distribution of packaged software specifically for SMEs in the PRC under the “QuickBooks 速達” brand name.

New Products and Existing Products' Upgrade

The Group has launched a series of new products ranging from vertical field solutions such as SD Pharmacy Management, SD Finance Pro, SD Distribution Management System, SD Production Enterprise Management and SD Accounting XP to enhanced generic solutions such as E2 Pro and E2 XP for medium-sized enterprises. In addition, the Group has engaged in its products upgrade. The newly upgraded products have improved in execution efficiency and functionality.

Sales and Marketing

The Group's products are sold through channel partners. Advantage Business Partners help delivering the Group's small enterprise products through retail outlets while Professional Business Partners offer enterprise level solutions and advisory services to medium-sized enterprises.

The Group's sales network covers the entire country, including 17 offices together with over 1,400 retail channels in Guangzhou, Beijing, Shanghai and other major cities in the PRC.

The Group emerged as the leading packaged SME management software developer in the PRC, commanding 80.1% of the market on installation base through retail channels. The Group has continued to promote the “QuickBooks 速達” brand and enhance its image in the market place.

Research and Development

The Group places a strong emphasis on its R&D of new software products and the application of new technologies to its development process, to keep pace with the rapid developments in software technology. Total R&D expenses incurred by the Group for the year were approximately RMB3.1 million, representing approximately 7.8% of the Group's turnover for the period.

Management Discussion and Analysis

Relocation of subsidiary

Beijing Superdata Network Co., Ltd., a wholly-owned subsidiary of the Company, has successfully relocated from Beijing to Shanghai in July 2003. After the relocation, Beijing Superdata Network Co., Ltd. changed its name to Glory Software (Shanghai) Limited ("Glory Shanghai"). The relocation marks the management's determination to capture the opportunities in Shanghai. Glory Shanghai's principal activities will include a focus on the development of management software for vertical business products, such as products for the construction industry.

Financial Review

The shares of the Company were successfully listed on GEM of the Stock Exchange on 6 June 2003. The Company raised approximately HK\$30 million from the placing of 100,000,000 new shares (the "Placing Shares") at HK\$0.303 per share (the "Placing"). The 100,000,000 Placing Shares represent 25% of the Company's issued share capital following the completion of the Placing.

Consolidated results of operations

For the year ended 31 December 2003, the Group recorded a total turnover of RMB39.5 million, representing an increase of approximately 33.4% over the previous year. The Group continues to focus on developing and selling packaged products to small and medium enterprises. With its sound products and the implementation of marketing strategies, the increase in turnover during the year was mainly due to successful launch of vertical products and certain small and medium business products such as the SD Pharmacy Management, SD Production Enterprise Management and SD Distribution Management Systems. Turnover for these products amounted to approximately RMB7.0 million for the year 2003.

Net profit

The Group recorded a net profit of approximately RMB15.6 million for the year ended 31 December 2003, representing an increase of approximately 35.7% over the previous year. If the sales of ERP (an application system for achieving company-wide integration of business and technical information), on which management decided not to focus on in 2003, were excluded in the first half of 2002, the percentage increase in net profit would be approximately 76.1%.

Other revenue

The Group recorded other income of approximately RMB0.4 million in the current year, mainly derived from interest income on bank deposits.

General and administrative expenses

General and administrative expenses included staff costs, depreciation, royalty charges, advertising and promotional expenses and other operating expenses. The total for the year increased to RMB27.7 million when compared to RMB19.8 million in 2002. The increase was mainly due to increases in staff costs associated with the planning and expansion of the sales and marketing division to enhance the Group's marketing and sales activities. The Group also incurred additional, routine and mandatory expenses after its shares were listed on GEM on 6 June 2003.

Management Discussion and Analysis

Outlook

With solid foundations in the PRC, the Group is familiar with both local business operations and market needs. The Group is well positioned to develop new business software products to cater for the needs of the different industries. As the Group has already established market leadership with “QuickBooks速達”, being a well-known brandname in the PRC, the Group will not only continue to develop and promote new products in the future, but will also roll out upgraded product versions regularly to provide added value to customers, while at the same time, generating a stable source of revenue for the Group. The Group will keep pace with the latest software market developments to strengthen our leading position in the PRC market.

Sharing the same vision with Intuit, the Group will continue to utilize and strengthen the product development capabilities of its R&D team to actively develop new SME management software. The Group plans to develop more application software including industry-specific SME management software in the property and wholesale industries.

Significant Investment

As at 31 December 2003, the Group did not have any significant investments.

Material Acquisitions and Disposals/Future Plans for Material Investment

Apart from the Group's reorganization to rationalize its structure in preparation for the listing of the shares of the Company on GEM, details of which had been set out in the Prospectus, there have been no material acquisitions and disposals during the year. At present, the Company and the Group have no plans for material investments or capital assets other than those set out in the Prospectus.

Capital Structure

The shares of the Company were listed on GEM of the Stock Exchange on 6 June 2003. There has been no change in the capital structure of the Company since the Company's listing on that date. The capital of the Company comprises only ordinary shares. The Company and the Group have no borrowings or long-term debts.

Gearing Ratio

As at 31 December 2003, the Group did not have any long-term debts while its shareholders' funds amounted to approximately RMB69.3 million. In this regard, the Group holds a net cash position with a gearing ratio of zero (net debt to shareholders' funds) as at 31 December 2003.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flows, and the balance of proceeds from the Placing.

As at 31 December 2003, the Group had cash and cash equivalents of RMB26.9 million as compared to RMB25.6 million as at 31 December 2002.

Management Discussion and Analysis

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in Hong Kong dollars and Renmibi. Risk on exposure to fluctuations in exchange rates should be minimal as there is no material fluctuation in the exchange rate between Hong Kong dollars and Renmibi.

Charges on Group Assets

As at 31 December 2003, the Group did not have any charges on its assets.

Contingent Liability

As at 31 December 2003, the Group did not have any significant contingent liabilities.

Employee Information

As at 31 December 2003, the Group had 305 full-time employees (2002: 221) working in Hong Kong and mainland China. Total staff costs, including directors' emoluments, amounted to approximately RMB12.5 million (2002: RMB8.5 million). The Group remunerates its employees based on their performance, experience and prevailing industry practices.

During the year, 27,271,062 shares in options were granted by the Company under a pre-IPO share option scheme adopted on 19 May 2003, to three executive Directors, one senior management staff and one part-time consultant and to Mr. Cen Anbin and Mr. Zhou Quan, acting as joint trustees (together the "Trustees") of a trust established for the benefit of the employees of the Group, who are PRC nationals (excluding three executive Directors, the senior management staff and the part-time consultant of the Group) (the "Trust"). 496,038 share in options were lapsed as a result of certain grantees ceased their employment during the year.

On 19 May 2003, a further share option scheme (the "Share Option Scheme") was approved pursuant to a written resolution by the Company. The Share Option Scheme will provide incentives or rewards for eligible staff within the Group, and to enable the Group to recruit and/or to retain high-calibre employees and attract human resources that are valuable to the Group. At the date of this report, no share options had been granted under the new Share Option Scheme.

Business Objectives and Actual Business Progress Comparison

The following is a summary of the actual progress of the Group compared with the business objectives set out in the Prospectus for the period from listing date to 31 December 2003;

Business objectives as stated in the Prospectus dated 28 May 2003

Actual business progress from listing date to 31 December 2003

1. Sales and distribution

Continue to expand distribution channel to 30 regional offices in the PRC

The number of regional offices remained to be 17 (including the head office in Guangzhou). The Group has set up several "Sales Target Groups" at specified locations to identify more potential retailers and new customers within that area.

Expand the number of authorised business partners/Retailers in order to enhance the sales and distribution network of the Group

Total number of authorised retailers comprising ABPs and PSPs have further increased during the period.

2. Marketing

Continue to advertise and promote SD3000, E2 and pharmacy via media and by attending or organizing conferences and seminars

Such marketing activities are on-going. e.g. several small scale seminars have been held in Guangzhou in June 2003.

3. Product development

Continue to upgrade the existing business management software

Upgrading is on-going. The newly upgraded products have been improved in the aspects of execution efficiency and functionality.

Launch the new software products, namely "DMS 分佈式管理系統" ("DMS distributor management system"), "生產企業管理" ("Production Enterprise Management") and "圖書管理" ("Library Management")

For the "DMS分佈式管理系統" ("DMS Distributor Management System") and "生產企業管理" ("Production Enterprise Management"), they have been launched in June and August 2003, respectively. For the "圖書管理" ("Library Management"), the schedule has been delayed because more complicated features were added but the products are expected to be launched in first half of year 2004.

Commence the R&D of the management software for pharmacy and construction industry

The product has been launched ahead of the schedule and was welcomed warmly by the market.

Continue to upgrade the existing R&D facilities and other equipment

Upgrading is on-going.

Business Objectives and Actual Business Progress Comparison

Business objectives as stated in the Prospectus dated 28 May 2003

Actual business progress from listing date to 31 December 2003

4. Technical support services

Continue to train members of the Group's authorised retailers and technical support servicing staff regarding the Group's products

Training is on-going.

Help more authorised retailers to build up service centres for the Group's various products

Development activities have slowed down in response to the slow demand for the services centres from authorised retailers.

5. Human resources

Employ additional 15 R&D staff, 15 sales and marketing staff and 6 general administration staff

More staff than stated was employed to cope with the expansion of the business.

Employ 10 additional technical servicing staff

More staff than stated was employed to cope with the expansion of the business.

Provide training and short-term course to technical personnel

Training was provided to technical personnel.

Use of Proceeds

The Group raised net proceeds of approximately HK\$20.8 million upon the Listing, the Group had used part of the proceeds from the Listing to achieve the business objectives as stated above and substantially in the manner as set out in the Prospectus. The proceeds have been applied as follows:

	According to the use of the proceeds as stated in the prospectus dated 28 May 2003 <i>HK\$'million</i>	Amount utilized up to 31 December 2003 <i>HK\$'million</i>
Continue to develop new business management software (<i>Note 1</i>)	1.5	1.1
Enhance support services and expand distribution network and product range in order to maintain dominant market position	2.0	1.9
Enhance R&D capability	1.0	0.9
Enhance the brand image and reputation of "QuickBooks" (<i>Note 2</i>)	1.8	2.2
	6.3	6.1

Notes:

1. Deviation was mainly due to the delay in development of product version "圖書管理" ("Library Management") as a result of proposing changes in the product features.
2. In order to cope with the expansion of business, additional staff in sales and marketing function were employed to promote the new products.

Profiles of Directors

Executive Directors

Mr. Zou Qixiong, aged 46, is one of the founders of the Group. Mr. Zou is also the chief executive officer and executive Director of the Group, and is responsible for the overall strategic planning and business of the Group. He has in-depth knowledge and extensive experience of almost 20 years in the engineering field. Mr. Zou had studied computer science in Zhongshan University in the PRC as a part-time student during 1984 to 1986, but did not attain any qualification therefrom. Prior to founding the Group in March 1998, Mr. Zou had held positions with several organisations/companies, including engineer of a hospital in Guangzhou, the PRC, namely 中國人民解放第四二一醫院 (Chinese People's Liberation Hospital No. 421) from September 1993 to October 1994 and general manager of Baida Electro Engineer Company, a private company in the PRC, from 1994 to February 1998.

Mr. Cen Anbin, aged 40, is an executive Director, the chairman and one of the founders of the Group. Mr. Cen is responsible for the Group's overall strategic planning, formulation of corporate policies and management of the Group. Mr. Cen holds each of a bachelor and master degree in control engineering from the National University of Defence Technology and Harbin Institute of Technology in the PRC in 1984 and 1987 respectively. Prior to founding the Group together with Mr. Zou in March 1998, Mr. Cen was the senior software engineering and project manager for OLYMPUS America in medical imaging processing from 1993 to 1996.

Mr. Lin Gang, aged 51, is one of the founders of the Group. Mr. Lin is also the vice president of administration of the Group. He oversees the overall strategic planning and business development of the Group. Mr. Lin has in-depth and extensive experience in the IT industry, especially in the fields of product development, sales and marketing and corporate management. Mr. Lin Gang joined the Group in March 1999.

Profiles of Directors

Non-executive Directors

Mr. Zhou Quan, aged 46, is a non-executive Director. Mr. Zhou joined IDGVC in 1993 as vice-president of investment, and has been the managing director of IDGVC since 1995. Mr. Zhou obtained his bachelor degree in science from University of Science and Technology of China in 1982, a master degree in science from the Chinese Academy of Science in 1985, and a doctorate of philosophy in fiber optics from Rutgers University in the United States in 1989. Mr. Zhou joined the Group in March 1999.

Mr. Lin Dongliang, aged 41, is a non-executive Director. Mr. Lin is a vice president and general partner of IDGVC. He was a senior research fellow in the Development Research Center (PRC) of the State Council of China from 1986 to 1995. Mr. Lin was sent by PRC to Citicorp New York, the United States as a research fellow from 1992 to 1993. He also earned his master degree of management engineering from Tsinghua University in 1988. Mr. Lin joined the Group in August 1998.

Mr. Jiao Shuge, aged 38, is a non-executive Director. Mr. Jiao is currently the president of 北京鼎暉創新投資顧問有限公司 (Beijing Dinghui Venture Capital Advisor Company Limited), a director of 福建南平南孚電池公司 (Fujian Nanping Nanfu Battery Company Limited) and 北京太洋藥業有限公司 (Beijing Tai Yang Medicines Company Limited). He had worked for direct investment department of CICC Investment Holdings Company Limited as a deputy general manager during 1995 to 2002. Prior to this service, Mr. Jiao had held positions as an investment manager, and an analyst of various companies/organisations. Mr. Jiao holds each of a bachelor and master degree from 山東大學 (Shandong University) and 航天部大學 (China Space Ministry) respectively. Mr. Jiao joined the Group in November 2000.

Mr. Wang Lin, aged 35, is a non-executive Director. Mr. Wang is currently a vice president of 北京鼎暉創新投資顧問有限公司 (Beijing Dinghui Venture Capital Advisor Company Limited) and a director of 北京桑德環保工程股份有限公司 (Beijing Sang De Environmental Protection Engineering Holdings Company Limited). He had worked for the direct investment department of CICC Investment Holdings Company Limited as a senior manager from April 1999 to August 2002. Prior to this service, Mr. Wang had held senior positions in various companies/organisations over the years. Mr. Wang obtained a doctorate degree in Economics from 財政部財政科學研究所 (The Scientific Research Centre of Finance Department under Ministry of Finance). Mr. Wang joined the Group in November 2000.

Profiles of Directors

Independent non-executive Directors

Dr. Lo Wing Yan, William, JP, aged 43, was appointed as a non-executive Director in March 2003. Dr. Lo is currently the executive director and vice-president of China Unicom Limited, a telecommunications operator in China, which is listed on both the Stock Exchange and New York Stock Exchange. He is also at present the non-executive chairman of WPP Greater China, a division of WPP Group Plc., which is a communication services group and the shares of which are listed on the London Stock Exchange and NASDAQ. Dr. Lo is a board member of the Hong Kong Applied Science and Technology Research Institute as well as the Hong Kong Jockey Club Institute of Chinese Medicine Limited. He is a non-executive director of a number of listed companies in Hong Kong and in New York including Softbank Investment International (Strategic) Limited, Capital Publications Limited, Panorama International Holdings Limited and Nam Tai Electronics, Inc.. Dr. Lo was the chief executive officer of Citibank's Global Consumer Banking Business for Hong Kong, Macau from 1998 to 1999. Prior to his appointment at Citibank, Dr. Lo was the founding managing director of Hongkong Telecom IMS Limited. Dr. Lo holds a master of philosophy degree in Molecular Pharmacology and a doctor of philosophy degree in Genetic Engineering, both from Cambridge University, England. He was a Commonwealth Scholar, a Croucher Foundation Fellow (H.K.), and a Bye-Fellow of Downing College, Cambridge University in the United Kingdom. In 1996, Dr. Lo was selected as a "Global Leader for Tomorrow" by World Economic Forum. In 1999, Dr. Lo was appointed as a Justice of the Peace (JP) of Hong Kong by the Government. In 2003, Dr. Lo was appointed as Committee Member of Shantou People's Political Consultative Conference.

Mr. Sun Tak Dee, Teddy, aged 36, is an independent non-executive Director. Mr. Sun is currently a director and acting chief executive officer of Netease.com, Inc. From July 2000 to September 2001, he served as a chief financial officer of Infoserve Technology Inc. Prior to this service, Mr. Sun had over 12 years of working experience in the investment banking sector. Mr. Sun held various positions with Bear Stearns Asia Limited from November 1996 to May 2000, culminating in the position of managing director. Prior to November 1996, Mr. Sun was an assistant director with Peregrine Capital Limited. Mr. Sun holds a bachelor degree of science in economics from the Wharton School of Business, University of Pennsylvania in the United States. He joined the Group in September 2002.

Directors' Report

Report of the Directors

The directors have pleasure in submitting their first year report together with the audited accounts of Superdata Software Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2003.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 14 to the accounts. The Group is principally engaged in the development and sales of packaged software and customised software in the PRC.

An analysis of the Group's performance for the year by business segments is set out in note 4 to the accounts.

Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 31.

The directors recommend the payment of a final dividend of 0.71 HK cent per ordinary share for the year ended 31 December 2003.

Closure of Register

The register of members of the Company will be closed from 14 April 2004 to 16 April 2004 (both days inclusive), and during which no transfer of shares will be effected. In order to qualify the shareholders of the Company to attend, act and vote at the forthcoming Annual General Meeting and to qualify the entitlement of the final dividends, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share register and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 13 April 2004.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 22 to the accounts.

Group Reorganisation and Basis of Preparation

The Company was incorporated in the Cayman Islands on 3 July 2002 as an exempted company with limited liability under the Companies Law, Cap22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation"), which was completed on 20 May 2003, to rationalise the structure of the Group in preparation for the listing of the Company's share on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies comprising the Group. The shares of the Company were listed on GEM of the Stock Exchange on 6 June 2003 (the "Listing Date").

Directors' Report

Group Reorganisation and Basis of Preparation *(Continued)*

The Reorganisation has been reflected in the accounts by regarding the Company as having been the holding company of the Group from the beginning of the earliest period presented. The basis of preparation for these accounts is set out in note 1 to the accounts.

Fixed Assets

Details of the movements in fixed assets of the Group are set out in note 12 to the accounts.

Share Capital

Details of the movements in share capital of the Company are set out in note 20 to the accounts.

Distributable Reserves

Under the Companies Law of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company shall be able to pay off its debts as they fall due in the ordinary course of business.

As at 31 December 2003, distributable reserves of the Company amounted to RMB49,269,000.

Pre-emptive Rights

There is no provision for pre-emptive rights requiring the Company to offer new shares to the existing shareholders of the Company in proportion to their shareholdings and there was no restriction against such rights under the laws of the Cayman Islands.

Directors

The directors during the year were:

Executive directors:

Mr. Cen Anbin
Mr. Zou Qixiong
Mr. Lin Gang

Non-executive directors:

Mr. Zhou Quan
Mr. Lin Dongliang
Mr. Jiao Shuge
Mr. Wang Lin

Independent non-executive directors:

Dr. Lo Wing Yan, William, JP (Appointed on 20 March 2003)
Mr. Sun Tak Dee, Teddy

In accordance with Article 87 of the Company's Articles of Association, Mr. Zou Qixiong and Mr. Lin Gang will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual meeting of the Company.

Directors' Report

Directors' Service Contracts

Each of the executive directors has entered into a service contract with the Company for an initial fixed term of three years commencing from 19 May 2003 and which will continue thereafter until terminated by three months' notice in writing served by either party on the other.

Directors' Interests in Contracts

Saved as disclosed in note 24 to the accounts, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Share Options

Pre-IPO Share Option Scheme

Pursuant to a pre-IPO share option scheme ("Pre-IPO Share Option Scheme") adopted by the Company on 19 May 2003, the Company had granted pre-IPO share options to three executive Directors, one senior management staff and one part-time consultant and to Mr. Cen Anbin and Mr. Zhou Quan acting as joint trustees (together the "Trustee") of a trust established for the benefit of the employees of the Group who are PRC nationals (excluding the three executive Directors, one senior management staff and one part-time consultant of the members of the Group) (the "Trust"). The options granted under the Pre-IPO Share Option Scheme entitle the holders to subscribe for total of up to 27,271,062 shares at an exercise price ranging from HK\$0.10 to HK\$0.26 each, representing, in aggregate, approximately 6.8% of the existing issued share capital of the Company. All of the options have a duration of ten years from 6 June 2003 to 5 June 2013. There are restrictions that 20%, 40%, 60%, 80% and 100% of the options granted under the Pre-IPO Share Option Scheme to the option holders or the Trustee (as the case may be) are exercisable by the option holders or the trustees (as the case may be) only after the first, second, third, fourth and fifth anniversaries of 6 June 2003 for the period of five years from 6 June 2003 respectively up to the date of the expiry of the options. Details of movements in the Pre-IPO share options during the year are set out in note 21 to the accounts.

Share Option Scheme

On 19 May 2003, a further share option scheme (the "Share Option Scheme") was approved pursuant to a written resolution of the Company. The purpose of the Share Option Scheme is to provide incentives or rewards for the eligible person to the Group and to enable the Group to recruit and/or to retain high-calibre employees and attract human resources that are valuable to the Group. The Board from time to time or a duly authorised committee thereof delegated with the powers of the Directors to administer the Share Option Scheme may, at its discretion, grant options to any executive or non-executive Director, consultant, agent, adviser, employee of the Group and any discretionary trust whose discretionary objects are executive or non-executive Director, consultant, agent, adviser or employee of the Group. As at the date of this report, no options have been granted by the Company pursuant to the Share Options Scheme.

Directors' Report

Share Options (Continued)

Directors' right to acquire shares

Pursuant to the Pre-IPO Share Option Scheme adopted by the Company on 19 May 2003, the Company had granted Pre-IPO Share Option for subscribing for the Company's ordinary shares to certain of its Directors, details of which are as follows:

Name of directors		Number of share options				Exercise price per share
		Held at 1 January 2003	Granted on 19 May 2003	Lapsed during the year	Held at 31 December 2003	
Mr. Cen Anbin	(held in personal interest)	—	5,674,088	—	5,674,088	HK\$0.10
	(held in the capacity as trustee)	—	3,867,182	(47,696)	3,819,486	HK\$0.10
	(held in the capacity as trustee)	—	6,585,848	(448,342)	6,137,506	HK\$0.26
Mr. Zhou Quan	(held in the capacity as trustee)	—	3,867,182	(47,696)	3,819,486	HK\$0.10
	(held in the capacity as trustee)	—	6,585,848	(448,342)	6,137,506	HK\$0.26
Mr. Zou Qixiong		—	5,674,088	—	5,674,088	HK\$0.10
Mr. Lin Gang		—	2,837,045	—	2,837,045	HK\$0.10

Except as specified above, all the options are personally held by the Directors. All of the options have a duration of ten years, from 6 June 2003 to 5 June 2013, but they can only be exercised in respect of up to 20%, 40%, 60%, 80%, and 100% of the options respectively after each anniversary of 6 June 2003 up to 5 June 2008 and will expire on 5 June 2013.

The Directors considered it is inappropriate to value the options granted during the year as a number of factors critical for the value cannot be determined accurately. Therefore, the Directors considered that any various speculative assumptions would not be meaningful but would be misleading to the shareholders.

Directors' Report

Directors' and Chief Executives' Interests and Short Positions in the Shares and Options

As at 31 December 2003, the interests or short positions of the directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the minimum standards of dealing by Directors in Rule 5.40 of the GEM Listing Rules, were as follows:

Long positions in shares

Name of Directors	No. of shares	Nature of interests	Approximate percentage of interest (%)
Mr. Cen Anbin	24,583,308	Corporate (Note 1)	6.14%
	1,000,000	Personal	0.25%
Mr. Zou Qixiong	23,724,016	Corporate (Note 2)	5.93%
Mr. Lin Gang	8,129,569	Corporate (Note 3)	2.03%
	100,000	Personal	0.03%

Notes:

- The 24,585,308 shares are held by Shanghai International Development Ltd., a company incorporated in the British Virgin Islands ("BVI") with limited liability and wholly-owned by Mr. Cen Anbin.
- The 23,724,016 shares are held by Heroic Performance Management Ltd., a company incorporated in BVI with limited liability and wholly-owned by Mr. Zou Qixiong.
- The 8,129,569 shares are held by Beijing Visits Ltd., a company incorporated in BVI with limited liability and wholly-owned by Mr. Lin Gang.

Directors' Report

Directors' and Chief Executives' Interests and Short Positions in the Shares and Options *(Continued)*

Long positions in equity derivatives in, or in respect of, underlying shares

Name of Directors	Number and description of equity derivatives	Number of underlying shares	Nature of interests	Approximate percentage of interest (%)
Mr. Cen Anbin	5,674,088 options granted under the Pre-IPO Share Option Scheme	5,674,088	Personal <i>(Note 4)</i>	1.33%
	9,956,992 options granted under the Pre-IPO Share Option Scheme	9,956,992	Other <i>(Note 7)</i>	2.33%
Mr. Zou Qixiong	5,674,088 options granted under the Pre-IPO Share Option Scheme	5,674,088	Personal <i>(Note 5)</i>	1.33%
Mr. Lin Gang	2,837,045 options granted under the Pre-IPO Share Option Scheme	2,837,045	Personal <i>(Note 6)</i>	0.66%
Mr. Zhou Quan	9,956,992 options granted under the Pre-IPO Share Option Scheme	9,956,992	Other <i>(Note 7)</i>	2.33%

Directors' Report

Directors' and Chief Executives' Interests and Short Positions in the Shares and Options *(Continued)*

Notes:

4. Mr. Cen Anbin has been granted options under the Pre-IPO Share Option Scheme, which, when exercised by him in full, entitles him to subscribe for a total of 5,674,088 shares.
5. Mr. Zou Qixiong has been granted options under the Pre-IPO Share Option Scheme, which, when exercised by him in full, entitles him to subscribe for a total of 5,674,088 shares.
6. Mr. Lin Gang has been granted options under the Pre-IPO Share Option Scheme, which, when exercised by him in full, entitles him to subscribe for a total of 2,837,045 shares.
7. On 19 May 2003, a discretionary trust was established for the benefit of the holders of options in the Company granted under the Pre-IPO Share Option Scheme and options to be granted under the Share Option Scheme who are PRC nationals (other than the Directors). (Under this trust arrangement, Mr. Cen Anbin and Mr. Zhou Quan (together the "Trustee") acting as joint trustees shall hold such options as trustee and nominee for these option holders.) On the written direction of an option holder, the Trustee shall exercise the options attributable to that option holder and on receipt of the underlying shares resulting from the exercise of the option, the Trustee shall sell those underlying shares at the then market price of the shares on GEM. After deducting the costs of exercising the relevant option and all reasonable expenses incurred in relation to the sale of the underlying shares, the net proceeds will be paid to the relevant option holder. As both Mr. Cen and Mr. Zhou are directors and the joint trustees of the aforesaid trust, each of them are deemed to be interested in the 10,453,030 options granted under the Pre-IPO Share Option Scheme which, when exercised in full, will result in a total of 10,453,030 shares being issued to them as the joint holders of such shares. IDG Technology Venture Investment Inc. ("IDGVC") will finance the exercise of the options granted to the Trustee. During the year, 496,038 options were lapsed. Refer details under Share Options above.

Save as disclosed above, as at 31 December 2003, none of the Directors or their associates as well as the chief executive of the Company had any interests or short positions in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by Directors of the Company as referred to in Rules 5.40 to 5.58 of the GEM Listing Rules. For the period from 6 June 2003 to 31 December 2003, there was no debt securities issued by the Group at any time.

Directors' Report

Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares of the Company

As at 31 December 2003, the following persons (other than Directors or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long Position in shares

Name of shareholders	Nature of interests	No. of share	Approximate percentage of interest (%)
IDGVC	Corporate (Note a)	85,988,578	21.50
International Data Group, Inc. ("IDG")	Corporate (Note a)	85,988,578	21.50
Mr. Patrick McGovern	Corporate (Note a)	85,988,578	21.50
Intel Pacific, Inc. ("Intel")	Corporate (Note b)	74,376,257	18.59
Intel Corporation	Corporate (Note b)	74,376,257	18.59

Notes:

(a) IDGVC is a company wholly-owned by IDG, which is therefore deemed to be interested in the 85,988,578 shares held by IDGVC.

Mr. Patrick McGovern is beneficially interested in more than one-third of the share capital of IDG, Inc. and will be deemed to be interested in 85,988,578 shares.

(b) Intel is a company wholly-owned by Intel Corporation, which is therefore deemed to be interested in the 74,376,257 shares held by Intel.

Save as disclosed above, as at 31 December 2003, there was no person who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Directors' Report

Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares of the Company *(Continued)*

Other shareholders

As at 31 December 2003, the following persons (other than Directors or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long Position in shares

Name of shareholders	Nature of interests	No. of shares	Approximate percentage of interest (%)
East Light Investment Pte. Ltd.	Corporate <i>(Note a)</i>	26,234,822	6.56%
Government of Singapore Investment Corporation (Ventures) Pte. Ltd.	Corporate <i>(Note a)</i>	26,234,822	6.56%

Note:

- (a) Government of Singapore Investment Corporation (Ventures) Pte. Ltd. is beneficially interested in 100% of the share capital of East Light Investment Pte. Ltd. and is therefore deemed to be interested in 26,234,822 shares.

Save as disclosed above, as at 31 December 2003, there was no person who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Competing Interests

IDGVC, being a substantial shareholder, has investments in one other business in the PRC which competes or may compete with the Group in the development and sale of business management software products for PRC enterprise users.

Save as disclosed above, as at 31 December 2003, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Directors' Report

Major Customers and Suppliers

The percentage of purchases for the year attributable to the Group's major suppliers is as follows:

	Percentage of purchase
The largest supplier	31%
Five largest suppliers combined	83%

During the year, the Group sold less than 30% of its goods to its 5 largest customers.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Board Practice and Procedures

Throughout the year, the Company was in compliance with the Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules.

Audit Committee

The written terms of reference which describe the authority and duties of the audit committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The audit committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group's audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The audit committee comprises two independent non-executive Directors, namely Dr. Lo Wing Yan, William. JP and Mr. Sun Tak Dee, Teddy. Two meetings were held during the current financial year.

Sponsor's Interests

As at 31 December 2003, neither First Shanghai Capital Limited ("First Shanghai") nor any of its respective directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company or any of the members of the Group, or had any right to subscribe for or to nominate persons to subscribe for the securities of the Company of any members of the Group.

Pursuant to the sponsor agreement dated 28 May 2003 between the Company and First Shanghai, First Shanghai is entitled to receive a fee for acting as the Company's sponsor for the period from 6 June 2003 to 31 December 2005.

Directors' Report

Purchase, Redemption or Sale of the Company's Listed Securities

The Company's shares were listed on GEM on 6 June 2003. Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the period from 6 June 2003 to 31 December 2003.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Cen Anbin

Chairman

Hong Kong, 17 March 2004

Auditors' Report



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888

Auditors' Report to The Shareholders of Superdata Software Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 31 to 61 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

The directors of the Company are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong
17 March 2004

Consolidated Profit and Loss Account

For the year ended 31 December 2003

	Note	2003 RMB'000	2002 RMB'000
Turnover	3	39,502	29,606
Cost of computer software		(1,647)	(2,020)
Value-added tax refund	5	5,017	3,524
Other revenue	3	406	166
Staff costs	10	(12,533)	(8,472)
Depreciation		(1,168)	(1,171)
Royalty charges	13	(974)	—
Amortisation of trademark		—	(120)
Advertising and promotional expenses		(4,799)	(3,410)
Other operating expenses		(8,206)	(6,593)
Profit before taxation	5	15,598	11,510
Taxation	6	—	—
Profit attributable to shareholders	7	15,598	11,510
Proposed final dividend	8	3,000	—
Basic earnings per share (RMB cents)	9	4.37	3.84
Diluted earnings per share (RMB cents)	9	4.25	N/A

Consolidated Balance Sheet

As at 31 December 2003

	Note	2003 RMB'000	2002 RMB'000
Non-current assets			
Fixed assets	12	3,354	3,219
Intangible assets	13	1,742	—
		5,096	3,219
Current assets			
Inventories	15	1,360	1,559
Trade receivables	16	978	1,069
Prepayments and other receivables		2,940	2,770
Fixed deposits	17	39,662	6,208
Cash and bank balances	17	26,891	25,557
		71,831	37,163
Current liabilities			
Trade payables	18	(496)	(410)
Customer deposits		(2,245)	(1,308)
Other taxes payable		(903)	(570)
Accrued charges and other payables		(4,027)	(2,046)
Amount due to a related company		—	(8,464)
		(7,671)	(12,798)
Net current assets		64,160	24,365
Total assets less current liabilities		69,256	27,584
Financed by:			
Share capital	20	4,256	—
Reserves	22(a)	65,000	27,584
Shareholders' funds		69,256	27,584

Cen Anbin
Director

Zou Qixiong
Director

Balance Sheet

As at 31 December 2003

	Note	2003 RMB'000	2002 RMB'000
Non-current assets			
Investments in subsidiaries	14	53,540	—
Current assets			
Prepayments and other receivables		70	—
Current liabilities			
Accrued charges		(85)	—
Net current liabilities		(15)	—
Total assets less current liabilities		53,525	—
Financed by:			
Share capital	20	4,256	—
Reserves	22(b)	49,269	—
Shareholders' funds		53,525	—

Cen Anbin
Director

Zou Qixiong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2003

	2003	2002
	RMB'000	RMB'000
Total equity as at 1 January	27,584	19,152
Profit for the year	15,598	11,510
Issue of shares	32,345	—
Share issuance costs	(8,356)	(3,078)
Acquisition of a subsidiary through a group reorganisation	2,086	—
Currency translation differences	(1)	—
Total equity as at 31 December	69,256	27,584

Consolidated Cash Flow Statement

For the year ended 31 December 2003

	Notes	2003 RMB'000	2002 <i>RMB'000</i>
Net cash inflow from operating activities	23(a)	20,285	12,122
Investing activities			
Interest received		406	166
Purchase of fixed assets		(1,321)	(1,327)
Proceeds from sales of fixed assets		—	289
Increase in fixed deposits		(33,454)	—
Net cash outflow from investing activities		(34,369)	(872)
Financing activities			
Issue of shares excluding share issuance costs	23(b)	23,883	(3,078)
(Repayment of)/increase in amount due to a related company	23(b)	(8,464)	10,157
Net cash inflow from financing activities		15,419	7,079
Increase in cash and cash equivalents		1,335	18,329
Cash and cash equivalents at 1 January		25,557	7,228
Effect of foreign exchange rate changes		(1)	—
Cash and cash equivalents at 31 December		26,891	25,557

Notes to the Accounts

1. GROUP REORGANISATION AND BASIS OF PREPARATION

- (a) The Company was incorporated in the Cayman Islands on 3 July 2002 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.
- (b) Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited on 6 June 2003, the Company became the holding company of the Group on 20 May 2003. Details of the Reorganisation are set out in note 20 to the accounts.
- (c) The Reorganisation is accounted for using merger accounting as stipulated in the Hong Kong Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants ("HKSA"). The consolidated results of the Group for the year ended 31 December 2003, including the comparative figures, are prepared as if the Company had been the holding company of the companies comprising the Group from the beginning of the years presented.
- (d) The accounts have been prepared under the historical cost convention in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the HKSA.

In the current year, the Group adopted SSAP12 (revised) "Income Taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003. The adoption of the above SSAP has no material impact on the accounts of the Group.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Consolidation

The Reorganisation referred to in note 1 above has been accounted for using merger accounting by regarding the Company as the holding company of the Group from the beginning of the years presented. The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December.

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Except for leasehold improvements, the costs of other fixed assets are depreciated over 5 years on a straight-line basis, after taking into account of their residual values and their estimated useful lives.

The cost of leasehold improvements is depreciated over the unexpired period of the leases ranging between 1 to 5 years on a straight-line basis.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the consolidated profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated profit and loss account.

(c) Intangible assets

Intangible assets represent expenditures incurred on acquiring royalty which are capitalised and amortised using the straight-line basis over the estimated useful life of the royalty of 39 months.

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than 5 years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

During the year, all development costs were expensed as incurred.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(f) Trade receivables

Provision is made against trade receivables to the extent that they are considered to be doubtful. Trade receivables in the consolidated balance sheet are stated net of such provision.

(g) Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated balance sheet at cost. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, fixed deposits with a maturity of three months or less from the date of deposits.

(h) Deferred taxation

Deferred income taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred income taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision is to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(j) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the consolidated profit and loss account.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(k) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the consolidated profit and loss account on a straight-line basis over the lease periods.

(l) Retirement benefit costs

The Group contributes on a monthly basis to various defined contribution schemes in accordance with the rules and regulations set out by the local government of the People's Republic of China (the "PRC") and a mandatory provident fund scheme according to the Hong Kong Mandatory Provident Schemes Ordinance. The Group's contributions to the retirement schemes and provident fund scheme are expensed as incurred. The assets of the schemes are held separately from those of the Group in independently administered funds.

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) **Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(n) **Revenue recognition**

Sale of packaged software

Revenue from the sale of packaged software is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Sale of customised software

Revenue from the sale of customised software is recognised on completion of the customisation work, which generally coincides with the time when the customised software is accepted by the customers.

Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(o) **Segment reporting**

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Segment reporting *(Continued)*

Segment assets consist primarily of intangible assets, fixed assets, inventories, trade receivables and operating cash. Segment liabilities comprise operating liabilities whilst capital expenditures comprise additions to intangible assets and fixed assets.

3. TURNOVER AND REVENUE

The Group is principally engaged in the development and sales of packaged software and customised software in the PRC excluding Hong Kong. Turnover and revenues recognised during the year are as follows:

	2003 RMB'000	2002 RMB'000
Turnover <i>(Note)</i>		
Sales of packaged software	39,502	28,407
Sales of customised software	—	1,199
	39,502	29,606
Other revenue		
Interest income	406	166
Total revenue	39,908	29,772

Note: Turnover as disclosed above is net of applicable value-added tax ("VAT") in the PRC.

Notes to the Accounts

4. SEGMENT INFORMATION

No segment information by geographical location is presented as the Group principally operates in the PRC.

Primary reporting format — business segments

The Group is currently organised into two business segments:

Segment information about these businesses is presented below:

	Sales of packaged software RMB'000	Sales of customised software RMB'000	Total RMB'000
Year ended			
31 December 2003			
Turnover	39,502	—	39,502
Segment results	15,192	—	15,192
Interest income			406
Profit before taxation			15,598
Taxation			—
Profit attributable to shareholders			15,598
Capital expenditures	3,513	—	3,513
Depreciation	1,168	—	1,168
Amortisation of royalty	450	—	450
As at 31 December 2003			
Segment assets	76,927	—	76,927
Segment liabilities	7,671	—	7,671

Notes to the Accounts

4. SEGMENT INFORMATION (Continued)

Primary reporting format — business segments (Continued)

	Sales of packaged software RMB'000	Sales of customised software RMB'000	Total RMB'000
Year ended			
31 December 2002			
Turnover	28,407	1,199	29,606
Segment results	11,640	(296)	11,344
Interest income			166
Profit before taxation			11,510
Taxation			—
Profit attributable to shareholders			11,510
Capital expenditures	959	368	1,327
Depreciation	1,004	167	1,171
Amortisation of trademark	120	—	120
As at 31 December 2002			
Segment assets	29,853	3,224	33,077
Unallocated assets			7,305
			40,382
Segment liabilities	4,098	214	4,312
Unallocated liabilities			8,486
			12,798

Notes to the Accounts

5. PROFIT BEFORE TAXATION

Profit before taxation is stated after crediting and charging the following:

	2003	2002
	RMB'000	RMB'000
Crediting:		
Value-added tax refund (<i>Note (i)</i>)	5,017	3,524
Reversal of provision for doubtful debts	129	—
Charging:		
Loss on disposal of fixed assets	18	65
Auditors' remuneration	431	141
Net exchange loss	2	12
Operating lease rentals	1,947	1,835
Bad debts written off	48	69
Provision for doubtful debts	—	28
Research and development costs (<i>Note (ii)</i>)	3,070	2,856

Notes:

- (i) Value-added tax refund represents tax refund from the local tax bureau in the PRC. According to tax regulations in the PRC, developing and distributing computer software activities are subject to VAT with applicable tax rate of 17%. However, pursuant to Cai Shui (2000) No. 25 issued by the State Tax Bureau on 22 September 2000, for the period from 24 June 2000 to 31 December 2010, software enterprises are entitled to a preferential taxation treatment and any actual VAT paid exceeding 3% of revenue will be refunded.
- (ii) Included in the research and development costs are staff emoluments, lease rental payments and depreciation totaling RMB2,841,000 (2002: RMB2,721,000), which have been separately included in staff costs, operating lease rentals and depreciation disclosed in other notes to the accounts.

6. TAXATION

No provision for Hong Kong profits tax has been made for the year ended 31 December 2003 (2002: Nil) as the Group has no estimated assessable profit in Hong Kong.

The Group's subsidiaries in the PRC, Superdata Software Technology (Guangzhou) Limited ("Superdata (Guangzhou)") and Glory Software (Shanghai) Limited ("Glory (Shanghai)"), formerly known as Beijing Superdata Network Co., Ltd., are foreign investment enterprises and are subject to PRC enterprise income tax ("EIT").

Notes to the Accounts

6. TAXATION (Continued)

In accordance with the PRC law of Enterprise Income Tax for Enterprises with Foreign Investment and Foreign Enterprises, Superdata (Guangzhou) is entitled to full exemption from EIT for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years.

Superdata (Guangzhou) is registered in Guangzhou Economic Technology Development District. 2003 is the first profitable year for Superdata (Guangzhou) after offsetting all accumulated operating losses brought forward. It is applying to the tax authorities for a preferential EIT rate of 15%.

Pursuant to “the Provisional Regulation on High Technology Enterprises of Beijing”, Glory (Shanghai) is now applying for full exemption from EIT for the first three years and a 50% reduction in EIT for the next three years, commencing 2001. In addition, Glory (Shanghai) could be qualified as a high-technology enterprise and is applying to the tax authorities for a preferential EIT rate of 15%.

No provisions for PRC EIT has been made for the year ended 31 December 2003 (2002: Nil) as all the subsidiaries in the PRC enjoyed tax exemption during the year.

No deferred tax assets or liabilities are recognised as the Group did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as at 31 December 2003 and 2002.

7. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of RMB213,000 (2002: Nil).

8. DIVIDEND

	2003	2002
	RMB'000	RMB'000
Proposed final — RMB0.75 cent (0.71 HK cent) (2002: Nil) per ordinary share	3,000	—

At the meeting held on 17 March 2004, the directors recommended a final dividend of RMB0.75 cent (0.71 HK cent) per share for the year ended 31 December 2003. This proposed final dividend is not reflected as a dividend payable in the accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2004.

Notes to the Accounts

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of approximately RMB15,598,000 (2002: approximately RMB11,510,000) and the weighted average number of ordinary shares of approximately 357,260,000 (2002: 300,000,000) in issue during the year after adjustment for the capitalisation issue.

The calculation of diluted earnings per share is based on the profit attributable to shareholders of approximately RMB15,598,000 and the diluted weighted average number of shares in issue during the year of approximately 367,092,000. It has been calculated after taking into account all dilutive instruments outstanding as at 31 December 2003. The number of the potential dilutive ordinary shares resulting from the exercise of the outstanding share options is approximately 9,832,000 shares which are deemed to have been issued at no consideration and have been exercised on the date the options were granted.

Diluted earnings per share is not presented for the year ended 31 December 2002 because there were no potential dilutive ordinary shares in existence during the year.

10. STAFF COSTS

Staff costs, including directors' remuneration are as follows:

	2003	2002
	RMB'000	RMB'000
Wages and salaries	11,642	7,835
Social security costs	226	190
Pension costs — defined contribution schemes	465	343
Others	200	104
	12,533	8,472

11. EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(i) The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2003	2002
	RMB'000	RMB'000
Fees	121	—
Basic salaries and allowances	1,356	1,200
Retirement benefit scheme contributions	9	7
	1,486	1,207

Notes to the Accounts

11. EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(i) (Continued)

Directors' fees disclosed above include RMB121,000 (2002: Nil) paid to independent non-executive directors.

The three executive directors of the Company received individual emoluments of approximately RMB468,000, RMB471,000 and RMB426,000, respectively, for the year ended 31 December 2003, and RMB420,000, RMB417,000 and RMB370,000, respectively, for the year ended 31 December 2002.

(ii) The five individuals whose emoluments were the highest in the Group are as follows:

	Number of individuals	
	2003	2002
Directors	3	3
Non-directors	2	2
	5	5

(iii) Details of the emoluments of the non-directors as mentioned above are as follows:

	2003	2002
	RMB'000	RMB'000
Basic salaries and allowances	310	320
Retirement benefit scheme contributions	17	3
	327	323

The emoluments of the non-directors fell within the following band:

	Number of individuals	
	2003	2002
Nil to RMB1,064,000 (equivalent to HK\$1,000,000)	2	2

(iv) During the year, no emoluments were paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join the Group, or as compensation for loss of office. None of them had waived any emoluments.

Notes to the Accounts

12. FIXED ASSETS

	Group			Total RMB'000
	Leasehold improvements RMB'000	Computer equipment and software RMB'000	Motor vehicles RMB'000	
Cost				
At 1 January 2003	1,942	3,109	975	6,026
Additions	62	467	792	1,321
Disposals	(104)	(85)	—	(189)
At 31 December 2003	1,900	3,491	1,767	7,158
Accumulated depreciation				
At 1 January 2003	1,162	1,301	344	2,807
Charge for the year	304	633	231	1,168
Disposals	(104)	(67)	—	(171)
At 31 December 2003	1,362	1,867	575	3,804
Net book value				
At 31 December 2003	538	1,624	1,192	3,354
At 31 December 2002	780	1,808	631	3,219

Notes to the Accounts

13. INTANGIBLE ASSETS

	Group RMB'000
As at 1 January 2003	—
Addition	2,192
Amortisation (<i>note</i>)	(450)
	<hr/>
As at 31 December 2003	1,742

	Group	
	2003	2002
	RMB'000	RMB'000
Cost	2,192	-
Accumulated amortisation	(450)	-
	<hr/>	<hr/>
Net book value	1,742	-

Note: Royalty charges of the Group totalling RMB974,000 for the year ended 31 December 2003 include the amortisation charges of RMB450,000 and the cash payments of RMB524,000 for use of a trademark.

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2003	2002
	RMB'000	RMB'000
Unlisted, at cost	33,090	—
Amounts due from subsidiaries	20,450	—
	<hr/>	<hr/>
	53,540	—

Notes to the Accounts

14. INVESTMENTS IN SUBSIDIARIES (Continued)

The following is a list of all subsidiaries of the Company as at 31 December 2003:

Name	Place and date of incorporation/ establishment	Particulars of issued and fully paid up share capital/registered capital	Attributable equity interest %	Principal activities and place of operation
Interest held directly				
Superdata Software (BVI) Limited (formerly known as "Harvest Times International Limited") ("Superdata (BVI)")	British Virgin Islands, 2 January 2002	2 ordinary shares of US\$1 each	100	Investment holding in Hong Kong
Superdata Software (HK) Limited (formerly known as "Leon Pacific Limited")	Hong Kong, 12 December 2001	2 ordinary shares of HK\$1 each	100	Investment holding in Hong Kong
Superdata Software Technology (Guangzhou) Limited	The PRC, 1 March 1999	Registered capital US\$4,650,000	100	Sales of software in the PRC
Glory Software (Shanghai) Limited (formerly known as "Beijing Superdata Network Co., Ltd.")	The PRC, 20 November 2002	Registered capital US\$500,000	100	Sales of software in the PRC

The amounts due from subsidiaries are unsecured, interest free and will become repayable subsequent to 31 December 2004.

Notes to the Accounts

15. INVENTORIES

	Group	
	2003	2002
	RMB'000	RMB'000
Raw materials	996	1,354
Finished goods	364	205
	1,360	1,559

16. TRADE RECEIVABLES

The Group's credit period granted to customers ranges from 30 to 60 days. As at 31 December 2003, the ageing analysis of trade receivables is as follows:

	Group	
	2003	2002
	RMB'000	RMB'000
Current to 30 days	763	608
31 days to 60 days	87	247
61 days to 90 days	89	135
91 days to 180 days	47	78
181 days to 360 days	30	129
Over 361 days	91	—
	1,107	1,197
<i>Less: Provision for doubtful debts</i>	(129)	(128)
	978	1,069

17. FIXED DEPOSITS AND CASH AND BANK BALANCES

As at 31 December 2003, approximately RMB38,303,000 (2002: RMB14,603,000) of the Group's fixed deposits and cash and bank balances were denominated in Renminbi and deposited with banks in the PRC. The conversion of these Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Notes to the Accounts

18. TRADE PAYABLES

The Group's trade payable balances are all within 30 days.

19. PENSIONS AND OTHER POST RETIREMENT OBLIGATIONS

The Group's subsidiaries in the PRC participate in defined contribution retirement schemes organised by the Labour and Social Security Bureau for all employees. The subsidiaries' contributions to the schemes are provided at rates ranging from 12% to 22% on the average basic salary as specified by respective provinces where the subsidiaries are located. The Group's subsidiaries in the PRC have no other retirement benefit obligations beyond such contributions.

The Mandatory Provident Fund Scheme (the "MPF Scheme") in Hong Kong participated by the Group requires the Group to contribute 5% of the employee's relevant income, as defined in the Mandatory Provident Fund Schemes Ordinance and up to a maximum of HK\$1,000 per employee per month (the "MPF Contributions"). The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK\$4,000 per month. The MPF Contributions are fully and immediately vested as accrued benefits to the employees once they are paid. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

Notes to the Accounts

20. SHARE CAPITAL

	<i>Note</i>	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares (HK\$)	Equivalent nominal value of ordinary shares (RMB)
Authorised:				
Upon incorporation of the Company and at 1 January 2003		10,000,000	100,000.00	106,400.00
Increase in authorised share capital	(c)	990,000,000	9,900,000.00	10,533,600.00
<hr/>				
At 31 December 2003		1,000,000,000	10,000,000.00	10,640,000.00
<hr/>				
Issued:				
Allotted	(a)	1	0.01	0.01
Further allotment	(a)	99	0.99	1.05
<hr/>				
At 31 December 2002		100	1	1.06
<hr/>				
At 1 January 2003		100	1	1.06
Shares issued upon acquisition of a subsidiary through a group reorganisation	(c)	9,999,900	99,999.00	106,398.94
Shares issued pursuant to the placing	(d)	100,000,000	1,000,000.00	1,064,000.00
Shares issued pursuant to capitalisation issue	(e)	290,000,000	2,900,000.00	3,085,600.00
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At 31 December 2003		400,000,000	4,000,000.00	4,256,000.00
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Notes to the Accounts

20. SHARE CAPITAL (Continued)

The Company was incorporated in the Cayman Islands on 3 July 2002 with an initial authorised share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each. In preparation for the listing of the Company's shares on the GEM, the following changes in issued share capital of the Company took place during the years ended 31 December 2002 and 2003:

- (a) On 8 July 2002, one share was issued and allotted to Codan Trust Company (Cayman) Limited as a subscriber which was subsequently transferred to Mr. Cen Anbin, a director of the Group ("Mr. Cen") and a further 99 shares were issued and allotted at par for cash to Mr. Cen on the same date.
- (b) On 3 September 2002, Mr. Cen transferred his 100 shares of the Company to Superdata Technology (Asia) Limited ("Superdata (Asia)"), a related company.
- (c) On 20 May 2003, Shanghai International Development Limited, a company wholly owned by Mr. Cen, acquired 100 shares of the Company from Superdata (Asia). On the same day, the Company acquired the entire issued share capital of Superdata (BVI) from Superdata (Asia) and became the holding company of the Group by way of issuance and allotment of 9,999,900 shares of the Company, credited as fully paid, to the shareholders of Superdata (Asia) as directed by Superdata (Asia) on a pro-rata basis, taking into consideration of the 100 shares acquired by Shanghai International Development Limited.

On 20 May 2003, the authorised share capital of the Company was increased from HK\$100,000 to HK\$10,000,000 by the creation of an additional 990,000,000 shares of HK\$0.01 each.

- (d) On 6 June 2003, 100,000,000 shares of HK\$0.01 each were issued to the public by way of a placing ("Placing") for cash of HK\$0.303 per share, raising a total amount of HK\$30,300,000. The excess over the par value of the shares issued was credited to the share premium account.
- (e) Immediately after the Placing, 290,000,000 shares of HK\$0.01 each were allotted, issued at par and credited as fully paid to the shareholders of the Company in proportion to their respective shareholdings in the Company prior to the Placing, by the capitalisation of HK\$2,900,000 from the share premium ("Capitalisation Issue") of the Company.

Notes to the Accounts

21. SHARE OPTIONS

The Company has adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme") and a Share Option Scheme (the "Share Option Scheme") on 19 May 2003.

The purposes of the share option schemes are to provide incentives or rewards for the eligible person of the Group and to enable the Group to recruit and/or to retain high-calibre employees and attract human resources that are valuable to the Group.

Pursuant to the Pre-IPO Share Option Scheme, the Company had granted pre-IPO share options to three executive directors, one senior management staff, one part-time consultant and to a trust established for the benefit of the employees of the Group who are PRC nationals. The options granted under the Pre-IPO Share Option Scheme entitle the holders to subscribe for a total of up to 27,271,062 shares at exercise prices ranging from HK\$0.10 to HK\$0.26 each, representing, in aggregate, approximately 6.8% of the existing issued share capital of the Company. All of the options have a duration of ten years from 6 June 2003 to 5 June 2013. There are restrictions to option holders that 20%, 40%, 60%, 80% and 100% of the options granted under the Pre-IPO Share Option Scheme are only exercisable by the option holders after the first, second, third, fourth and fifth anniversaries of 6 June 2003 respectively, up to the date of the expiry of the options.

Movements in the number of share options outstanding during the year are as follows:

	Number of options	
	2003	2002
At 1 January	—	—
Granted under the Pre-IPO Share Option Scheme	27,271,062	—
Lapsed	(496,038)	—
At 31 December	26,775,024	—

As at the date of this report, no options had been granted by the Company pursuant to the Share Option Scheme.

Notes to the Accounts

21. SHARE OPTIONS (Continued)

Share options outstanding at the end of the year have the following terms:

Expiry date	Exercise price	2003 Number of options	2002	2003 Vested percentages	2002
Directors (including options held in the capacity as trustee)					
5 June 2013	HK\$0.10	18,004,707	—	0%	—
5 June 2013	HK\$0.26	6,137,506	—	0%	—
		24,142,213	—		
Employees					
5 June 2013	HK\$0.10	248,018	—	0%	—
5 June 2013	HK\$0.26	2,384,793	—	0%	—
		2,632,811	—		
		26,775,024	—		

No share options were exercised or cancelled during the year ended 31 December 2003.

Notes to the Accounts

22. RESERVES

(a) Group

	Share premium RMB'000 Note (i)	Merger reserve RMB'000 Note (ii)	Exchange reserve RMB'000	Share issuance costs RMB'000	Statutory reserve fund RMB'000 Note (iii)	Retained earnings RMB'000	Total RMB'000
At 1 January 2002	—	42,599	30	(157)	—	(23,320)	19,152
Profit for the year	—	—	—	—	—	11,510	11,510
Share issuance costs	—	—	—	(3,078)	—	—	(3,078)
At 31 December 2002	—	42,599	30	(3,235)	—	(11,810)	27,584
At 1 January 2003	—	42,599	30	(3,235)	—	(11,810)	27,584
Profit for the year	—	—	—	—	—	15,598	15,598
Acquisition of a subsidiary through a group reorganisation	—	2,086	—	—	—	—	2,086
Shares issued pursuant to the Placing	31,175	—	—	—	—	—	31,175
Shares issued pursuant to Capitalisation Issue	(3,086)	—	—	—	—	—	(3,086)
Share issuance costs	—	—	—	(8,356)	—	—	(8,356)
Set-off of share issuance costs	(11,591)	—	—	11,591	—	—	—
Appropriation to statutory reserve fund	—	—	—	—	625	(625)	—
Currency translation differences	—	—	(1)	—	—	—	(1)
At 31 December 2003	16,498	44,685	29	—	625	3,163	65,000

- (i) Under the Companies Law of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that, immediately following the date on which the distribution or dividend is proposed to be made, the Company shall be able to pay off its debts as they fall due in the ordinary course of business.
- (ii) Merger reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of the subsidiaries acquired by the Company through exchange of shares.

Notes to the Accounts

22. RESERVES (Continued)

(a) Group (Continued)

- (iii) In accordance with the relevant laws and regulations of the PRC, the Group's subsidiaries established in the PRC are required to appropriate a minimum of 10% of the net profit after taxation reported in the statutory accounts to the statutory reserve, namely the statutory reserve fund until the balance of such fund has reached 50% of its registered capital. The amount of allocation is determined by the board annually. The total amount allocated to statutory reserve fund was approximately RMB625,000 (2002: Nil) for the year ended 31 December 2003. This reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(b) Company

	Share Contributed premium	Share surplus	Share issuance costs	Retained earnings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>Note (1)</i>			
At 1 January 2003	—	—	—	—	—
Loss for the year	—	—	—	(213)	(213)
Acquisition of a subsidiary through a group reorganisation	—	32,984	—	—	32,984
Shares issued pursuant to the Placing	31,175	—	—	—	31,175
Shares issued pursuant to Capitalisation Issue	(3,086)	—	—	—	(3,086)
Share issuance costs	—	—	(11,591)	—	(11,591)
Set-off of share issuance costs	(11,591)	—	11,591	—	—
At 31 December 2003	16,498	32,984	—	(213)	49,269

Note: (1) Contributed surplus represents the difference between the net asset value of a subsidiary acquired and the nominal value of the ordinary share issued by the Company in connection with the acquisition of the subsidiary through a group reorganisation.

Notes to the Accounts

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Reconciliation of profit before taxation to net cash inflow from operating activities:

	2003	2002
	RMB'000	<i>RMB'000</i>
Profit before taxation	15,598	11,510
Depreciation of fixed assets	1,168	1,171
Loss on disposal of fixed assets	18	65
Amortisation of intangible assets	450	120
Provision for doubtful debts	(129)	28
Interest income	(406)	(166)
Decrease/(increase) in inventories	199	(817)
Decrease in trade receivables	220	65
(Increase)/decrease in prepayments and other receivables	(170)	693
Increase in trade payables	86	334
Increase/(decrease) in customer deposits	937	(372)
Increase in other taxes payable	333	44
Increase/(decrease) in accrued charges and other payables	1,981	(553)
	<hr/>	<hr/>
Net cash inflow from operating activities	20,285	12,122

Notes to the Accounts

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS (Continued)

(b) Analysis of changes in financing

	Share capital including premium and share issuance costs	Amount due to a related company	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2002	157	1,693	1,850
Cash (inflows)/outflows	3,078	(10,157)	(7,079)
At 1 January 2003	3,235	(8,464)	(5,229)
Cash (inflows)/outflows	(23,883)	8,464	(15,419)
Share swap in connection with the Reorganisation	(106)	—	(106)
At 31 December 2003	(20,754)	—	(20,754)

(c) Major non-cash transactions

During the year and pursuant to the Reorganisation, the Group acquired a royalty of approximately RMB2.2 million from a related company, which was settled by the issuance of one share from Superdata (BVI), a wholly owned subsidiary of the Group, to the related company.

24. RELATED PARTY TRANSACTIONS

Prior to 1 May 2003, a related company granted the Group the right to use a royalty owned by that related company without charge. On 1 May 2003, the Group acquired the royalty from the related company with a consideration of approximate RMB2.2 million.

Notes to the Accounts

25. COMMITMENTS UNDER OPERATING LEASES

The Group had future aggregate minimum lease payments under non-cancelable operating leases in respect of land and buildings as follows:

	Group	
	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,608	1,615
In the second to fifth years inclusive	766	2,579
	2,374	4,194

26. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 17 March 2004.

Financial Summary

FINANCIAL SUMMARY

The following is summary of the published results and assets and liabilities of the Group for the last three financial years prepared on the basis set out in the notes below:

RESULTS

	Year ended 31 December		
	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>
Turnover	<u>39,502</u>	<u>29,606</u>	<u>17,701</u>
Profit/(loss) attributable to shareholders	<u>15,598</u>	<u>11,510</u>	<u>(7,656)</u>

ASSETS AND LIABILITIES

	As at 31 December		
	2003 <i>RMB'000</i>	2002 <i>RMB'000</i>	2001 <i>RMB'000</i>
Non-current assets	<u>5,096</u>	<u>3,219</u>	<u>3,537</u>
Current assets	<u>71,831</u>	<u>37,163</u>	<u>20,496</u>
Current liabilities	<u>(7,671)</u>	<u>(12,798)</u>	<u>(4,881)</u>
Net current assets	<u>64,160</u>	<u>24,365</u>	<u>15,615</u>
Shareholders' funds	<u>69,256</u>	<u>27,584</u>	<u>19,152</u>

Notes:

1. The results of the Group for each of the two years ended 31 December 2001 and 2002 presented above have been extracted from the Company's Prospectus dated 28 May 2003 when the listing of the Company's share was sought on GEM of the Stock Exchange.
2. The results of the Group for the year ended 31 December 2003 was extracted from the consolidated income statement as set out on page 31 of the accounts.
3. The accounts of the Group, which is presented for information only, has been prepared on the basis that the structure and business activities of the Group Reorganisation had been in existence throughout the three years ended 31 December 2003.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the first annual general meeting of Superdata Software Holdings Limited (the "Company") will be held at the Small Connaught Room, 1/F, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong on Friday, 16 April 2004 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated accounts of the Company and its Subsidiaries (the "Group") and reports of the directors of the Company (the "Directors") and the auditors for the year ended 31 December 2003;
2. To declare a final dividend for the year 2003;
3. To re-elect the retiring Directors and to authorise the board of directors of the Company (the "Board") to fix the Directors' remuneration;
4. To re-appoint the auditors, Messrs. PricewaterhouseCoppers, and to authorise the Board to fix their remuneration;
5. By way of special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

(1) **"THAT:**

- (a) subject to paragraph (c) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the grant or exercise of any option under any share option scheme of the Company or any other option, scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares in the Company or rights to acquire shares in the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in the Company in accordance with the Articles of Association of the Company in force from time to time; or (iv) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any warrants or convertible bonds issued by the Company or any securities which carry rights to subscribe for or are convertible into shares in the Company, unissued shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;

Notice of Annual General Meeting

- (c) the aggregate nominal amount of share capital allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with (whether pursuant to options or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this resolution, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (d) for the purpose of this resolution, "Relevant Period" means the period from the date of the passing this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law of the Cayman Islands to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.

"Rights Issue" means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors to holders of shares in the Company on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognized regulatory body or any stock exchange in any territory applicable to the Company)."

(2) **"THAT:**

- (a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares in the capital of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited or any other stock exchange on which the shares in the Company may be listed and recognized by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited for such purpose, subject to and in accordance with the rules and regulations of the Securities and Future Commission, The Stock Exchange of Hong Kong Limited, the Companies Law of the Cayman Islands and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;

Notice of Annual General Meeting

- (b) the aggregate nominal amount of shares in the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly;
 - (c) for the purpose of this resolution, "Relevant Period" means the period from the date of the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any other applicable law of the Cayman Islands to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution."
- (3) "THAT:

Conditional upon resolution Nos. (1) and (2) set out in item 5 of the notice convening this meeting being passed, the general mandate granted to the Directors to allot, issue and deal with additional shares in the Company pursuant to the said resolution No. (1) be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors pursuant to the said resolution No. (2), provided that the amount of shares so repurchased by the Company shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company on the date of this resolution."

By Order of the Board

Cen Anbin

Chairman

Hong Kong, 22 March 2004

Principal place of business in Hong Kong

Room 2004, 20th Floor,
Gloucester Tower,
The Landmark, Central,
Hong Kong.

Notice of Annual General Meeting

Notes:

1. A form of proxy for use at the above meeting is enclosed herewith any member of the Company entitled to attend and vote at the above meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the above meeting. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares of the Company in respect of which each such proxy is so appointed.
2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited at the Company's share registrar in Hong Kong, Computershare Share Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 48 hours before the time appointed for the meeting.

Completion and return of the form of proxy will not preclude members from attending and voting in person at the above meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

Where there are joint registered holders of any share(s) of the Company, any one of such joint holders may vote at the above meeting, either in person or by proxy, in respect of such share(s) of the Company as if he/she is solely entitled thereto, but if more than one of such joint holders are present at the above meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding of the share(s) of the Company.

3. The register of members of the Company will be closed from 14 April 2004 to 16 April 2004, both days inclusive, during which period no transfer of shares will be registered. All transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Share Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 13 April 2004.
4. With regard to ordinary resolution No. (2) set out in item 5 of this notice, a circular containing an explanatory statement which sets out information regarding the repurchase by the Company of its own shares will be sent to shareholders of the Company together with the annual report.