



SUPERDATA SOFTWARE HOLDINGS LIMITED
(速 達 軟 件 控 股 有 限 公 司) *

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8263)

FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2004

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET
(“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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This announcement, for which the directors of Superdata Software Holdings Limited (the “Company”) (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) 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 announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purposes only

HIGHLIGHTS

- Turnover of the Group amounted to approximately RMB10.0 million for the three months ended 31 March 2004, representing an increase of approximately 37.0% as compared to approximately RMB7.3 million for the corresponding period in the previous financial year.
- Net profit of the Group amounted to approximately RMB3.6 million for the three months ended 31 March 2004, representing an increase of approximately 56.5% as compared to approximately RMB2.3 million for the corresponding period in the previous financial year.
- Earnings per share of the Group was approximately RMB0.90 cents for the three months ended 31 March 2004.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2004.

QUARTERLY RESULTS

The board of Directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2004, together with the unaudited comparative figures for the corresponding period in 2003 as follows:

	<i>Notes</i>	Three months ended	
		31 March	
		2004	2003
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Turnover	2	10,041	7,311
Cost of computer software		(417)	(412)
Value-added tax refund		1,329	911
Other revenue	2	185	45
Staff costs		(3,343)	(2,719)
Depreciation		(305)	(356)
Royalties		(246)	—
Advertising and promotional expenses		(1,447)	(1,004)
Other operating expenses		(2,196)	(1,505)
Profit before taxation		3,601	2,271
Taxation	3	—	—
Profit attributable to shareholders		<u>3,601</u>	<u>2,271</u>
Basic earnings per share (<i>RMB cent</i>)	4	<u>0.90</u>	<u>0.76</u>
Diluted earnings per share (<i>RMB cent</i>)	4	<u>0.86</u>	<u>N/A</u>

Notes:

1. 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, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the “Reorganisation”) in preparation for the listing of the Company’s shares on the GEM of the Stock Exchange on 6 June 2003, the Company became the holding company of the Group on 20 May 2003. 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. The unaudited comparative consolidated results of the Group for the three months ended 31 March 2003, are prepared as if the Company had been the holding company of the companies comprising the Group from the beginning of the period presented.

All significant transactions and balances among the companies comprising the Group are eliminated on consolidation.

The unaudited consolidated results of the Group have been prepared in accordance with SSAP and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and basis of preparation adopted for the preparation of the first quarterly financial report are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2003.

2. Turnover and revenue

The Group is principally engaged in the development and sales of packaged software in the People’s Republic of China (the “PRC”) excluding Hong Kong. Turnover and revenue recognised during the period are as follows:

	Three months ended	
	31 March	
	2004	2003
	RMB’000	RMB’000
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Turnover (<i>Note</i>)		
Sales of packaged software	10,041	7,311
Other revenue		
Interest income	185	45
Total revenue	<u>10,226</u>	<u>7,356</u>

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

3. Taxation

No provision for Hong Kong profits tax has been made for the three months ended 31 March 2004 (2003: Nil) as the Group has no estimated assessable profit in Hong Kong during the period.

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").

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 provision for PRC EIT has been made for the three months ended 31 March 2004 (2003: Nil) as all the subsidiaries in the PRC enjoyed tax exemption during the period.

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 March 2004 and 2003.

4. Earnings per share

The calculation of basic earnings per share is based on the Group's unaudited profits attributable to shareholders for the three months ended 31 March 2004 of approximately RMB3,601,000 (2003: approximately RMB2,271,000) and the weighted average number of approximately 400,000,000 ordinary shares for the three months ended 31 March 2004 (2003: 300,000,000 ordinary shares) in issue during the period after adjustment for the capitalisation issue.

The calculation of diluted earnings per share for the three months ended 31 March 2004 is based on the Group's unaudited profit attributable to shareholders of approximately RMB3,601,000 and the diluted weighted average number of approximately 418,803,455 shares in issue during the period. It has been calculated after taking into account all dilutive instruments outstanding as at 31 March 2004. The effect of the potential dilutive ordinary shares resulting from the exercise of the outstanding share options on the weighted average number of shares in issue during the three months ended 31 March 2004 is approximately 18,803,455 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 three months ended 31 March 2003 because there were no potential dilutive ordinary shares in existence during the period.

5. Reserves

	Share premium <i>RMB'000</i>	Merger reserve <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Share issuance costs <i>RMB'000</i>	Statutory reserve fund <i>RMB'000</i>	Retained profits/ losses (accumulated) <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2004 (Audited)	16,498	44,685	29	—	625	3,163	65,000
Profit for the 3 months ended 31 March 2004	—	—	—	—	—	3,601	3,601
Dividends for 2003	—	—	—	—	—	(3,000)	(3,000)
At 31 December 2004 (Unaudited)	<u>16,498</u>	<u>44,685</u>	<u>29</u>	<u>—</u>	<u>625</u>	<u>3,764</u>	<u>65,601</u>
At 1 January 2003 (Audited)	—	42,599	30	(3,235)	—	(11,810)	27,584
Profit for the 3 months ended 31 March 2003	—	—	—	—	—	2,271	2,271
Share Issuance costs	—	—	—	(565)	—	—	(565)
At 31 March 2003 (Unaudited)	<u>—</u>	<u>42,599</u>	<u>30</u>	<u>(3,800)</u>	<u>—</u>	<u>(9,539)</u>	<u>29,290</u>

- (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.
- (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. This reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2004.

FINANCIAL REVIEW

During the three months ended 31 March 2004, the Group continued to achieve outstanding results and recorded a turnover of approximately RMB10.0 million, representing a remarkable growth of 37.0% over that of the corresponding period in 2003. This was mainly attributable to the continued momentum of the new products, including SD Distribution Management System, SD Production Enterprise Management, E2 XP and SD Accounting XP, successfully launched in the second half of 2003.

Staff costs, advertising and promotional expenses continue to be the major operating costs of the Group, representing 63.6% of total operating cost for this quarter. The Group recorded staff costs of RMB3.3 million for the period as compared to RMB2.7 million for the same period in 2003. The advertising and promotional expenses were increased from RMB1.0 million to RMB1.4 million in order to accomplish the promotional campaigns of the new products and enhance the brand image.

During this quarter, the Group achieved net profit of approximately RMB3.6 million, representing an increase of 56.5% as compared to approximately RMB2.3 million for the corresponding period in the previous financial year. Moreover, the net profit margin improved from 31.1% to 35.9% as a result of the continuous sales growth and effective controls over the operating costs.

BUSINESS REVIEW

During the period, the Group continues to focus on the design, manufacture and distribution of packaged software specifically for the small and medium enterprises (“SME(s)”) in the PRC under the “QuickBooks 速達” brand name.

In view of the growing demand for SME’s management software in the PRC, together with the Group’s well-defined brand positioning, quality products, well-established distribution network, sound marketing strategies as well as effective cost controls, the Group’s business continued to perform satisfactorily. The Group has been successfully captured the expanding market of packaged SME software and achieved outstanding results in both the turnover and net profit during this quarterly period.

With increasing recognition of the Group in the PRC, its products are well known in the SMEs management software retail market. SD 3000 series, including distribution, manufacturing and accounting modules, are widely adopted by the SMEs in the PRC as their business solutions and have been the best selling products of the Group. The Group has continued to be the market leader with more than 80% market share in the PRC’s SMEs management software retail market on installation base.

PRODUCT LAUNCH

In view of the ever-changing SME’s management software retail market and the requirements from end users, the Group’s R&D team has made every effort to develop new products. In the second quarter of the year, the Group plans to launch a new product series “SD 5000 series” which will be one of the flagship products in 2004. This products series is targeted at medium size customers and was developed on the foundation of SD 3000 series which has succeeded for its ease of use to the end users. To pave the way for the introduction of new products in the market, a series of advertising and promotional campaigns has been launched during this quarter. The management is optimistic that a further sales growth can be achieved later this year.

PROSPECTS

The Group has retained its position as the market leader in the integrated business management software solution by providing off-the-shelf solutions to the SMEs during the first quarter of 2004. The Directors believe that SME's application software will remain one of the most promising fields in the IT industry in the PRC in the long run. Based on the research report prepared by IDC in August 2002, SME's management software retail market in the PRC is expected to grow with a compound annual growth rate of approximately 36.5% from 2002 to 2006. The Directors therefore strongly believe that it is still a great market for the Group to expand in the future.

The Group will continue the strategic alliance with Intuit, which brings in strategic synergy to the brand image of the Group's products in the PRC. Apart from that, the Group will launch various advertising and promotion campaigns and develop new products to further strengthen its brand image in the PRC. These measures effectively differentiate the Group's products and add value to the customers against its competitors.

Expanding its sales channels in different regions of the PRC and seeking alliances with new channel partners are the keys to increase the sales of the Group. The Group will assess carefully its potential partners and analyse the market circumstances to ensure that the expansion and the alliance will be beneficial to the Group's business development as of today and in the long run.

SHARE OPTION

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. None of the options granted under the Pre-IPO Share Option Scheme have been exercised, lapsed or cancelled for the three months ended 31 March 2004.

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 authorized 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. For the three months ended 31 March 2004, no options have been granted by the Company pursuant to the Share Option Scheme.

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 2004	Lapsed during the period	Held at 31 March 2004		
Mr. Cen Anbin	(held in personal interest)	5,674,088	—	5,674,088	HK\$0.10
	(held in the capacity as trustee)	3,819,486	—	3,819,486	HK\$0.10
	(held in the capacity as trustee)	6,137,506	—	6,137,506	HK\$0.26
Mr. Zhou Quan	(held in the capacity as trustee)	3,819,486	—	3,819,486	HK\$0.10
	(held in the capacity as trustee)	6,137,506	—	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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND OPTIONS

As at 31 March 2004, 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	24,585,308	Corporate (<i>Note 1</i>)	6.14%
	1,000,000	Personal	0.25%
Mr. Zou Qixiong	23,724,016	Corporate (<i>Note 2</i>)	5.93%
Mr. Lin Gang	8,129,569	Corporate (<i>Note 3</i>)	2.03%
	100,000	Personal	0.03%

Notes:

1. 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.
2. 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.
3. 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.

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 (Note 4)	1.33%
	9,956,992 options granted under the Pre-IPO Share Option Scheme	9,956,992	Other (Note 7)	2.33%
Mr. Zou Qixiong	5,674,088 options granted under the Pre-IPO Share Option Scheme	5,674,088	Personal (Note 5)	1.33%
Mr. Lin Gang	2,837,045 options granted under the Pre-IPO Share Option Scheme	2,837,045	Personal (Note 6)	0.66%
Mr. Zhou Quan	9,956,992 options granted under the Pre-IPO Share Option Scheme	9,956,992	Other (Note 7)	2.33%

Notes:

- 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.
- 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.
- 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.
- 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 the 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 9,956,992 options granted under the Pre-IPO Share Option Scheme which, when exercised in full, will result in a total of 9,956,992 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.

Save as disclosed above, as at 31 March 2004, 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 three months ended 31 March 2004, there were no debt securities issued by the Group at any time.

None of the options have been exercised, lapsed or cancelled for the three months ended 31 March 2004.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

As at 31 March 2004, 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 (%)
IDGVC	Corporate (<i>Note a</i>)	85,988,578	21.50%
International Data Group, Inc. (“IDG”)	Corporate (<i>Note a</i>)	85,988,578	21.50%
Mr. Patrick McGovern	Corporate (<i>Note a</i>)	85,988,578	21.50%
Intel Pacific, Inc. (“Intel”)	Corporate (<i>Note b</i>)	74,376,257	18.59%
Intel Corporation	Corporate (<i>Note b</i>)	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.

OTHER SHAREHOLDERS

As at 31 March 2004, 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 March 2004, 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 of the Company, 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 March 2004, 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.

SPONSOR'S INTEREST

As at 31 March 2004, 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 of any 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 continuing sponsor for the purpose of Chapter 6 of the GEM Listing Rules for the remaining period up to 31 December 2005.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

For the three months ended 31 March 2004, the Company has complied with the Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules.

AUDIT COMMITTEE

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Company the internal controls and financial reporting matters including a review of the unaudited quarterly results for the three months ended 31 March 2004.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company's shares were listed on the 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 three months ended 31 March 2004.

Made by the order of the Board (which includes (i) the executive directors, Mr. Cen Anbin, Mr. Zou Qixiong and Mr. Lin Gang and (ii) the non-executive directors, Mr. Zhou Quan, Mr. Lin Dongliang, Mr. Jiao Shuge and Mr. Wang Lin and (iii) the independent non-executive directors, Dr. Lo Wing Yan, William, JP and Mr. Sun Tek Dee, Teddy), the directors of which collectively and individually accept responsibility for the accuracy of this announcement.

By order of the Board
Cen Anbin
Chairman

Hong Kong, 12 May 2004

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its publication.