



Superdata Software
Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Interim Report 2004



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

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This report, 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 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.

HIGHLIGHTS

- Turnover of the Group amounted to approximately RMB28.3 million for the six months ended 30 June 2004, representing an increase of approximately 56% as compared with that of approximately RMB18.1 million for the corresponding period in the previous financial year.
- Net profit of the Group amounted to approximately RMB15.9 million for the six months ended 30 June 2004, representing an increase of approximately 109% as compared with that of approximately RMB7.6 million for the corresponding period in the previous financial year.
- Earnings per share of the Group was approximately RMB4.0 cents for the six months ended 30 June 2004.
- The financial position of the Group remains healthy. As at 30 June 2004, the Group had cash and bank balances of approximately RMB76.5 million and had no bank borrowings.
- The Board recommends payment of an interim dividend of RMB2.0 cents (1.9 HK cents) for the six months ended 30 June 2004.

INTERIM 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 and six months ended 30 June 2004, together with the unaudited comparative figures for the corresponding period in 2003 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

Six months ended 30 June 2004

	Notes	Three months ended 30 June		Six months ended 30 June	
		2004	2003	2004	2003
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	2	18,268	10,776	28,309	18,088
Cost of computer software		(589)	(571)	(1,006)	(983)
Value-added tax refund		2,358	1,429	3,687	2,340
Other revenue	2	240	93	425	138
Staff costs		(3,948)	(3,009)	(7,291)	(5,728)
Depreciation		(300)	(245)	(632)	(601)
Royalty charges		(518)	(231)	(764)	(231)
Advertising and promotional expenses		(1,041)	(1,396)	(2,488)	(2,400)
Other operating expenses		(2,208)	(1,566)	(4,377)	(3,073)
Profit before taxation	4	12,262	5,280	15,863	7,550
Taxation	5	—	—	—	—
Profit attributable to shareholders		12,262	5,280	15,863	7,550
Basic earnings per share (RMB cents)	6	3.07	1.61	3.97	2.40
Diluted earnings per share (RMB cents)	6	2.93	1.56	3.80	2.37

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2004

		30 June 2004	31 December 2003
	<i>Notes</i>	RMB'000 (Unaudited)	<i>RMB'000 (Audited)</i>
Non-current assets			
Fixed assets	8	3,384	3,354
Intangible assets	9	1,405	1,742
		4,789	5,096
Current assets			
Inventories	10	1,419	1,360
Trade receivables	11	1,772	978
Prepayments and other receivables		5,915	2,940
Fixed deposits		59,144	39,662
Cash and bank balances		17,348	26,891
		85,598	71,831
Current liabilities			
Trade payables	12	(557)	(496)
Customer deposits		(1,720)	(2,245)
Other taxes payable		(1,739)	(903)
Accrued charges and other payables		(4,252)	(4,027)
		(8,268)	(7,671)
Net current assets		77,330	64,160
Total assets less current liabilities		82,119	69,256
Financed by:			
Share capital	13	4,256	4,256
Reserves		77,863	65,000
Shareholders' funds		82,119	69,256

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)*Six months ended 30 June 2004*

	Six months ended 30 June	
	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Net cash inflow from operating activities	13,601	8,957
Net cash outflow from investing activities	(662)	(10,178)
Net cash (outflow)/inflow from financing activities	(22,482)	17,906
Net (decrease)/increase in cash and cash equivalents	(9,543)	16,685
Cash and cash equivalents, beginning of the period	26,891	25,557
Cash and cash equivalents, end of the period	17,348	42,242
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	17,348	42,242

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)*Six months ended 30 June 2004*

	Share capital	Share premium	Merger reserve	Exchange reserve	Share issuance costs	Statutory reserve fund	Retained earnings/ (accumulated losses)	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2004 <i>(Audited)</i>	4,256	16,498	44,685	29	—	625	3,163	69,256
Profit for the 6 months ended 30 June 2004	—	—	—	—	—	—	15,863	15,863
Dividends for 2003	—	—	—	—	—	—	(3,000)	(3,000)
At 30 June 2004 <i>(Unaudited)</i>	4,256	16,498	44,685	29	—	625	16,026	82,119
At 1 January 2003 <i>(Audited)</i>	—	—	42,599	30	(3,235)	—	(11,810)	27,584
Profit for the 6 months ended 30 June 2003	—	—	—	—	—	—	7,550	7,550
Issue of a new share of a subsidiary	—	—	2,086	—	—	—	—	2,086
On acquisition of Superdate (BVI)	106	—	—	—	—	—	—	106
Shares issued pursuant to the Capitalisation Issue	3,086	(3,086)	—	—	—	—	—	—
Shares issued pursuant to the Placing	1,064	31,175	—	—	—	—	—	32,239
Share issuance costs	—	—	—	—	(7,911)	—	—	(7,911)
At 30 June 2003 <i>(Unaudited)</i>	4,256	28,089	44,685	30	(11,146)	—	(4,260)	61,654

NOTES TO CONDENSED ACCOUNTS

1. Group Reorganisation and Basis of Preparation

Group reorganisation

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 (“HKSA”). The unaudited comparative consolidated results of the Group for the six months ended 30 June 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.

Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with SSAP 25 “Interim Financial Reporting” issued by HKSA and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts 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 30 June		Six months ended 30 June	
	2004	2003	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Turnover <i>(Note)</i>				
Sales of packaged software	18,268	10,776	28,309	18,088
Other revenue				
Interest income	240	93	425	138
Total revenues	18,508	10,869	28,734	18,226

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

3. Segment Information

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

An analysis of the Group's revenue and results for the period by business segment is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2004 <i>RMB'000</i> <i>(Unaudited)</i>	2003 <i>RMB'000</i> <i>(Unaudited)</i>	2004 <i>RMB'000</i> <i>(Unaudited)</i>	2003 <i>RMB'000</i> <i>(Unaudited)</i>
Turnover				
Sales of packaged software	18,268	10,776	28,309	18,088
Sales of customized software	—	—	—	—
	18,268	10,776	28,309	18,088
Segment results				
Sales of packaged software	12,443	5,738	16,379	8,149
Sales of customized software	—	(233)	—	(416)
	12,443	5,505	16,379	7,733
Unallocated income	240	93	425	138
Unallocated expenses	(421)	(318)	(941)	(321)
Profits before taxation	12,262	5,280	15,863	7,550
Taxation	—	—	—	—
Profits attributable to shareholders	12,262	5,280	15,863	7,550
Capital expenditure				
Sales of packaged software	267	83	662	153
Sales of customized software	—	8	—	8
Depreciation				
Sales of packaged software	300	209	632	536
Sales of customized software	—	36	—	65
Amortisation and royalty charges				
Sales of packaged software	168	112	337	112
Sales of customized software	—	—	—	—

There were no sales or other transactions between the business segments for the six months ended 30 June 2004.

4. Profit before taxation

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

	Three months ended 30 June		Six months ended 30 June	
	2004	2003	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Crediting:				
Other operating income				
— VAT refund (<i>Note (i)</i>)	2,358	1,429	3,687	2,340
Charging:				
Operating leases rentals	402	240	916	876
Bad debts written off	13	70	13	70
Provision for doubtful debts	—	—	119	146
Research and development costs (<i>Note (ii)</i>)	632	754	1,904	1,663

Notes:

- (i) Other operating income 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 also staff emoluments, leases rental payment and depreciation, which have been separately included in staff costs, operating lease rentals and depreciation disclosed in other notes to the accounts.

5. Taxation

No provision for Hong Kong profits tax has been made 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 six months ended 30 June 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 30 June 2004 and 2003.

6. 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 and six months ended 30 June 2004 of approximately RMB12,262,000 and RMB15,863,00 respectively (three months and six months ended 30 June 2003: approximately RMB5,280,000 and RMB7,550,000 respectively) and the weighted average number of approximately 400,000,000 ordinary shares for the three months and six months ended 30 June 2004 (three months and six months ended 30 June 2003: approximately 328,571,000 and 314,365,000 ordinary shares) in issue during the periods.

The calculation of diluted earnings per share for the three months and six months ended 30 June 2004 is based on the Group’s unaudited profit attributable to shareholders of approximately RMB12,262,000 and RMB15,863,000 respectively (three months and six months ended 30 June 2003: approximately RMB5,280,000 and RMB7,550,000 respectively) and the diluted weighted average number of approximately 418,369,551 shares and 418,595,804 shares, respectively in issue during the periods (three months and six months ended 30 June 2003: approximately 337,684,000 and 318,946,000 ordinary shares). They have been calculated after taking into account all dilutive instruments outstanding as at 30 June 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 and six months ended 30 June 2004 are approximately 18,369,551 shares and 18,595,804 shares, respectively (three months and six months ended 30 June 2003: approximately 9,113,000 and 4,582,000 shares respectively) which are deemed to have been issued at no consideration and have been exercised on the date the options were granted.

7. Dividend

	Three months ended 30 June		Six months ended 30 June	
	2004 <i>RMB'000</i> <i>(Unaudited)</i>	2003 <i>RMB'000</i> <i>(Unaudited)</i>	2004 <i>RMB'000</i> <i>(Unaudited)</i>	2003 <i>RMB'000</i> <i>(Unaudited)</i>
Interim, proposed, RMB2.0 cents (HK1.9 cents) (2003: nil)	8,000	—	8,000	—

Notes:

- (a) At a meeting held on 17 March 2004, the Directors proposed a final dividend of RMB0.75 cent (0.71 HK cent) per share for the year ended 31 December 2003, which was paid on 25 June 2004 and has been reflected as an appropriation of retained earnings for the six months ended 30 June 2004.
- (b) At another meeting held on 12 August 2004, the Directors proposed an interim dividend of RMB2.0 cents (HK1.9 cents) per share for the six months ended 30 June 2004 (2003: nil) whose names appear on the register of members of the Company on 30 September 2004. The dividend will be payable on 30 October 2004.

The register of members of the Company will be closed from 27 September 2004 to 30 September 2004, both days inclusive, during which period the transfer of shares will not be effected. In order to be qualified for the interim dividend, all share transfers accompanied with relevant share certificates must be lodged with the Company's share registrar, Computershare 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 26 September 2004.

This proposed interim dividend is not reflected as a dividend payable in these condensed consolidated accounts of the Group, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2004.

8. Fixed assets

	Leasehold improvements	Computer equipment and software	Motor vehicles	Total
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Cost				
At 1 January 2004 <i>(Audited)</i>	1,900	3,491	1,767	7,158
Additions	—	214	448	662
At 30 June 2004 <i>(Unaudited)</i>	1,900	3,705	2,215	7,820
Accumulated depreciation				
At 1 January 2004 <i>(Audited)</i>	1,362	1,867	575	3,804
Charge for the period	113	329	190	632
At 30 June 2004 <i>(Unaudited)</i>	1,475	2,196	765	4,436
Net book value				
At 30 June 2004 <i>(Unaudited)</i>	425	1,509	1,450	3,384
At 31 December 2003 <i>(Audited)</i>	538	1,624	1,192	3,354

9. Intangible assets

	Royalty
	<i>RMB'000</i>
	<i>(Unaudited)</i>
Six months ended 30 June 2004 <i>(Unaudited)</i>	
Opening net book amount	1,742
Amortisation <i>(Note)</i>	(337)
Closing net book amount	1,405
At 30 June 2004 <i>(Unaudited)</i>	
Cost	2,192
Accumulated amortisation	(787)
Net book amount	1,405
At 31 December 2003 <i>(Audited)</i>	
Cost	2,192
Accumulated amortisation	(450)
Net book amount	1,742

Note: Royalty charges of the Group totaling RMB764,000 for the six months period ended 30 June 2004 shown on the face of condensed consolidated profit and loss account included the cash royalty of RMB427,000 payable to Intuit Inc. ("Intuit") and the amortization charges of RMB337,000 of the Royalty presented above.

10. Inventories

	30 June	31 December
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Raw materials	395	996
Finished goods	1,024	364
	1,419	1,360

None of the inventories included above are carried at net realizable value as at 30 June 2004 (2003: Nil).

11. Trade receivables

The Group's credit period granted to customers ranges from 30 to 60 days. As at 30 June 2004, the ageing analysis of trade receivables is as follows:

	30 June 2004	31 December 2003
	RMB'000 (Unaudited)	RMB'000 (Audited)
Current to 30 days	1,211	763
31 days to 60 days	298	87
61 days to 90 days	182	89
91 days to 180 days	53	47
181 days to 360 days	36	30
Over 360 days	111	91
	1,891	1,107
Less: Provision for doubtful debts	(119)	(129)
	1,772	978

12. Trade payables

The trade payable balances were all current with ages below 30 days.

13. Share capital

	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares HK\$	Equivalent nominal value of ordinary shares RMB
Authorised:			
At 30 June 2004 (<i>Unaudited</i>) and 31 December 2003 (<i>Audited</i>)	1,000,000,000	10,000,000	10,640,000
Issued:			
At 30 June 2004 (<i>Unaudited</i>) and 31 December 2003 (<i>Audited</i>)	400,000,000	4,000,000	4,256,000

14. Commitments

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

	30 June 2004	31 December 2003
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within one year	800	1,608
In the second to fifth years inclusive	524	766
	1,324	2,374

FINANCIAL REVIEW

The Group's turnover for the six months ended 30 June 2004 increased by 56% to approximately RMB28.3 million when compared with that of approximately RMB18.1 million in corresponding previous period. This was mainly the result of the continued success of SD-3000 series and the launch of our new flagship product, SD-5000 series, in March 2004.

Staff costs, advertising and promotional expenses continue to be the major operating costs of the Group, representing 63% of total operating cost for this interim period. With the Group's continuing efforts to reinforce the research and development of new products and expand the sales channels to have deeper penetration into the market, the headcounts of its workforce increased and hence the staff costs rose substantially to approximately RMB7.3 million for the period as compared with that of approximately RMB5.7 million for the same period in 2003. Apart from that, the advertising and promotional expenses were slightly increased from RMB2.4 million to approximately RMB2.5 million in light of the initial launching periods of the new product, SD-5000 series.

The other operating expenses increased from RMB3.1 million to RMB4.4 million which was mainly due to higher spending on traveling as a result of increasing operating activities in this interim period.

For the six months ended 30 June 2004, the Group achieved net profit of approximately RMB15.9 million, representing an increase of approximately 109% as compared with that of approximately RMB7.6 million for the corresponding period in the previous financial year. Moreover, the net profit margin has surged from approximately 41.7% to approximately 56%. The continuous sales growth, coinciding with the effective cost control, had contributed directly to these encouraging results during this interim period.

BUSINESS REVIEW

During the period, the Group continues to focus on the development and distribution of packaged software specifically for the small and medium enterprises (“SME(s)”) in the PRC under the “QuickBooks 速達” brand name, and continues to aim at the “provision of informationized service for SMEs in the PRC” in the long term, so that QuickBooks 速達 packaged software can gain a sound leading position in the market.

With the Group’s well-defined brand positioning, quality products, well-established distribution network, and sound marketing strategies, the Group’s products have gained wide acceptance and reputation in the PRC and have been taking a leading role to the competitors in the SME’s management software market. As at the first half of the year, the Group has established branches or offices in all provincial capital cities (other than Tibet and Hainan) in the PRC. These local offices provide direct services to local markets, marketing guidance and technical training to SD distributors, and technical support to key customers. The offices also organize marketing activities in local markets and collect market information, which directly enhance the brand recognition of Superdata and boost its sales performance.

With the continuous positive expectation on the PRC economy, as well as the rapid development of private enterprises and SMEs, the market demand for the SME management softwares, particularly the “Integrated stock management and financial software (進銷存財務一體化軟件)” surged. During the past 5 years, SD-3000 series software has been continually upgraded, and has penetrated its users with features such as user-friendly, practical, inexpensive, stable and reliable. Currently, SD-3000 series software still remains as the core product of the Group that yields major sales.

During the period, the Group launched SD-5000 series software. The product series applies the management concepts and means of ERP on SMEs for the first time. SD-5000 inherits SD-3000’s style of easy-to-use, and adds advanced functions such as segment management, production procedure management, distant management and customer personalization, which meets the requirements of more customers. Online registered user of SD-5000 series software has reached over 300 in only two months.

The management believes that a sound financial position is essential for the Group to grow in this competitive environment. In view of that, the Group’s adherence to limited credit sales and effective cost controls provide a better condition for the Group’s future development.

PRODUCT LAUNCH

While increasing the number of SD-3000 series software user, the Group developed SD-5000 series software to meet the needs of production enterprises. The Group also plans to launch E3 series software in the second half of the year to meet the needs of corporate enterprises. E3 series software uses the SQL database of Microsoft, which enhances product security and stability significantly, and can manage to transfer and process huge data. The Group also plans to launch SD-1000 series software in September this year. The software series was simplified and optimized on the foundation of SD-3000 to meet the needs of newly-established small scale enterprises and gain more extensive user markets at a lower market price.

Following the strategic target of “popularization” of the Internet technology, the Group is currently committed on the R&D of product series based on Internet technology. Related products will be subsequently launched in the end of 2004.

PROSPECTS

Strong commitment to innovate and deliver superior products to our customers is the cornerstone of the Group’s success. Through increased adoption and popularity in the market, the Group’s products have gained a reputation for their innovation, versatility and stability. This enabled the Group to maintain its market leadership in the provision of integrated business management software solutions to SMEs in the PRC.

The Group will continue to pursue active developments in its core business in the long run. In doing so, 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. To further raise product awareness and the brand image, the Group will also collaborate closely with its network of business partners to formulate effective marketing and promotional strategies and campaigns, as well as tradeshows, in the PRC. With its dominant brand image, the Group successfully differentiates itself from its competitors to achieve remarkable results.

One of the direct ways to boost the sales of the Group is to extend the Group’s distribution network by continuously establishing sales channels and forming new strategic market relationships with distributors and retailers in significant geographical markets. 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.

Apart from providing up-to-date and innovative products to the market, the management believes that providing a variety of technical support services, for example, guaranteed product upgrades and technical hotlines, to the end users is also very important to the success of the business. In view of that, the Group is committed to continue its efforts to improve these post-sales services so as to maximize the effectiveness with the products.

Looking ahead, the Group will seek to leverage its strengths to enhance corporate development and provide value added services to its customers. The Group will strive to explore suitable business diversification and expansion opportunities in the field of SME's application software with the aim to bring more values to its business partners and shareholders in the future.

SIGNIFICANT INVESTMENTS

As at 30 June 2004, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS/FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group had no material acquisitions or disposals during the six months ended 30 June 2004. The Group had no plans for material investments or capital assets other than those set out in the Company's prospectus dated 28 May 2003 (the "Prospectus").

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during the period under review. The capital of the Company comprises only ordinary shares. The Company and the Group have no borrowing and long-term debts.

GEARING RATIO

As at 30 June 2004, the Group did not have any long-term debts while its shareholders' funds amounted to approximately RMB82.1 million. In this regard, the Group holds a net cash position with a gearing ratio of zero (net debt to shareholder's funds) as at 30 June 2004.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2004, the Group had cash and bank balances (including fixed deposits) of approximately RMB76.5 million, and net current assets of approximately RMB77.3 million. The Group had been maintaining a strong working capital position during the period under review. As at 30 June 2004, the Group had current liabilities of approximately RMB8.3 million and no long-term liabilities.

The Group generally finances its operations and any possible expansion plans with its internally generated cash flows, and the balance of proceeds from the Company's IPO. The Group's operating cash inflow during the period under review amounted to approximately RMB13.6 million.

Surplus cash is generally deposited with financial institutions in Hong Kong and the PRC to earn interest income.

FOREIGN EXCHANGE EXPOSURE

The Group's sales are transacted in Renminbi. As the exchange rate fluctuation between Hong Kong dollars and Renminbi is minimal, the Board considers the exchange rate risk that the Group exposed to is very low and accordingly, no hedging arrangement was required during the period under review.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2004, the Group did not have any charges on its assets.

CONTINGENT LIABILITIES

The Directors are not aware of any material contingent liabilities as at 30 June 2004.

SEGMENT INFORMATION

Details have been set out in Note 3 under “Notes to the condensed interim accounts”. The trends of the segmental results remained consistent as compared with the corresponding period in the previous year.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2004, the Group had 362 employees including the executive Directors. Total staff costs including Directors’ remuneration for the six months ended 30 June 2004 amounted to approximately RMB7.3 million. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

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 30 June 2004;

Business objectives as stated in the Prospectus	Actual business progress from listing date to 30 June 2004
<p>1. <i>Sales and distribution</i></p> <p>Expand the number of authorized business partners/retailers in order to enhance the sales and distribution network of the Group.</p>	<p>Total number of authorized retailers comprising ABPs and PSPs have further increased during the period.</p>
<p>2. <i>Marketing</i></p> <p>Launch, advertise and promote the software for construction industry via media and by attending or organizing conferences and seminars</p>	<p>Such marketing activities are on-going. e.g. small scale seminars have been held in Guangzhou throughout the period</p>

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.

Commence the R&D of the localization of Quickbooks and other Intuit's management software.

The effort was reflected in the launch of SD 5000 series in this interim period.

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

Upgrading is on-going.

4. Technical support services

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

Training is on-going

Continue to help more authorized 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 service centres from authorised retailers.

5. Human resources

Employ additional 6 R&D staff, 3 sales and marketing staff and 2 general administration staff

Except for R&D staff which the Group considered the headcount was sufficient for the software development, more staff than stated was employed to cope with the expansion of the business.

Employ 3 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 listing of the Company's shares on GEM of the Stock Exchange on 6 June 2003, 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 <i>HK\$'million</i>	Amount utilized up to 30 June 2004 <i>HK\$'million</i>
Continue to develop new business management software	1.2	1.0
Enhance support services and expand distribution network and product range in order to maintain dominant market position	1.0	1.0
Enhance R&D capability	0.5	0.5
Enhance the brand image and reputation of "QuickBooks"	0.8	0.7
	3.5	3.2

SHARE OPTION

Pre-IPO Share Option Scheme

Pursuant to a pre-IPO share option scheme (the "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.

The following table discloses movements in the pre-IPO share options of the Company during the period:

	Number of share options					Exercise price per share
	Held at 1 January 2004	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Held at 30 June 2004	
Directors						
Mr. Cen Anbin	5,674,088	—	—	—	5,674,088	HK\$0.10
Mr. Zou Qixiong	5,674,088	—	—	—	5,674,088	HK\$0.10
Mr. Lin Gang	2,837,045	—	—	—	2,837,045	HK\$0.10
Mr. Zhou Quan and Mr. Cen Anbin (held in the capacity as trustee)	3,819,486	—	—	—	3,819,486	HK\$0.10
Mr. Zhou Quan and Mr. Cen Anbin (held in the capacity as trustee)	6,137,506	—	—	—	6,137,506	HK\$0.26
Employees						
In aggregate	248,018	—	—	—	248,018	HK\$0.10
In aggregate	2,384,793	—	—	—	2,384,793	HK\$0.26
	26,775,024	—	—	—	26,775,024	

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.

The following table discloses movements in the share options of the Company during the period:

	Number of share options				Held at 30 June 2004	Exercise price per share
	Held at 1 January 2004	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period		
Directors						
Mr. Cen Anbin	—	10,000,000	—	—	10,000,000	HK\$0.70
Mr. Zou Qixiong	—	10,000,000	—	—	10,000,000	HK\$0.70
Mr. Lin Gang	—	4,000,000	—	—	4,000,000	HK\$0.70
Employees						
In aggregate	—	6,000,000	—	—	6,000,000	HK\$ 0.70
Total	—	30,000,000	—	—	30,000,000	

Details of the share options are as follows:

Notes:

- (i) Options were granted under the Share Option Scheme pursuant to the resolution passed on 16 April 2004.
- (ii) The closing price of the share of HK\$0.01 each of the Company quoted on the GEM of the Stock Exchange on 22 March 2004, being the business date immediately before the date on which share options were granted, was HK\$0.54.

- (iii) The options are exercisable from 16 April 2004 to 15 April 2014 (both days inclusive) subject to the following vesting period:
- (i) up to one-third of the options commencing on 1 April 2007;
 - (ii) up to two-third of the options (including the options not exercised under the limit prescribed for in the previous period) commencing on 1 April 2008; and
 - (iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) commencing on 1 April 2009.

The Directors are of the view that the calculation of the value of share options granted by the Company during the period depends on a number of variables, which are either difficult to ascertain or can only be ascertained subject to a number of theoretical bases and speculative assumptions. As such, the value of share options is not presented in this report.

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

As at 30 June 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 5.46 of the GEM Listing Rules, were as follows:

Long positions in the shares of the Company

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 of the Company

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)	1.42%
	9,956,992 options granted under the Pre-IPO Share Option Scheme	9,956,992	Other (Note 7)	2.49%
	10,000,000 options granted under the Share Option Scheme	10,000,000	Personal (Note 8)	2.50%
Mr. Zou Qixiong	5,674,088 options granted under the Pre-IPO Share Option Scheme	5,674,088	Personal (Note 5)	1.42%
	10,000,000 options granted under the Share Option Scheme	10,000,000	Personal (Note 8)	2.50%
Mr. Lin Gang	2,837,045 options granted under the Pre-IPO Share Option Scheme	2,837,045	Personal (Note 6)	0.71%
	4,000,000 options granted under the Share Option Scheme	4,000,000	Personal (Note 8)	1.00%
Mr. Zhou Quan	9,956,992 options granted under the Pre-IPO Share Option Scheme	9,956,992	Other (Note 7)	2.49%

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 as 30 June 2004, 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.
8. On 16 April 2004, an extraordinary general meeting was held and resolved to grant 10,000,000 options, 10,000,000 options and 4,000,000 options under the Share Option Scheme to three Directors, Mr. Cen Anbin, Mr. Zou Qixiong and Mr. Lin Gang respectively. Details of such share options are set out in the paragraph headed "Share Option" above.

Save as disclosed above, as at 30 June 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 as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules. For the six months ended 30 June 2004, there was no debt securities issued by the Group at any time.

None of the options have been exercised, lapsed or cancelled for the six months ended 30 June 2004.

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

As at 30 June 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 the shares of the Company

Name of shareholders	Nature of interests	No. of shares	Approximate percentage of interest (%)
IDG Technology Venture Investment, Inc. ("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
CDH China Fund, L.P.	Corporate (<i>Note b</i>)	52,780,750	13.20
CDH China Holdings Company Limited	Corporate (<i>Note b</i>)	52,780,750	13.20
China Diamond Holdings Company Limited	Corporate (<i>Note b</i>)	52,780,750	13.20
China Diamond Holdings, L.P.	Corporate (<i>Note b</i>)	52,780,750	13.20
Heptad Ventures Limited	Corporate (<i>Note b</i>)	52,780,750	13.20

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) CDH China Fund, L.P. owns 100% of the issued voting share capital of Heptad Ventures Limited. China Diamond Holdings Company Limited is the General Partner of China Diamond Holdings, L.P., which in turn controls more than one-third of the voting rights of CDH China Holdings Company Limited, the General Partner of CDH China Fund, L.P.

OTHER SHAREHOLDERS

As at 30 June 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 the shares of the Company

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%
Atlantis Investment Management Ltd A/C GAM Trading (No.24) Inc	Corporate	20,000,000	5.00%

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 30 June 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 30 June 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

During the six months ended 30 June 2004, China Alpha Fund, a mutual fund managed by First Shanghai Fund Management Ltd. which is an associate of First Shanghai Capital Limited ("First Shanghai"), had purchased 10,000,000 shares of the Company on 23 April 2004, of which, 1,980,000 shares and 8,020,000 shares were sold on 14 May 2004 and 3 June 2004 respectively.

Saved as disclosed above, neither 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 as at 30 June 2004.

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.

SECURITIES TRANSACTIONS BY DIRECTORS

Although the Company has not adopted any internal code of conduct regarding directors' securities transactions, it has made specific enquiry of all Directors and the Directors have confirmed that they have complied with all the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the six months ended 30 June 2004.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practices and Procedures set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the interim period.

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 interim results for the six months ended 30 June 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 six months ended 30 June 2004.

By order of the Board
Superdata Software Holdings Limited
Cen Anbin
Chairman

Hong Kong, 12 August 2004