



# **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)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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 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 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 RMB58.7 million for the year ended 31 December 2004, representing an increase of approximately 48.6% as compared to approximately RMB39.5 million for the corresponding period in the previous financial year.
- Net profit of the Group amounted to approximately RMB32.4 million for the year ended 31 December 2004, representing an increase of approximately 107.7% as compared to approximately RMB15.6 million for the corresponding period in the previous financial year.
- Basic earnings per share of the Group was approximately RMB8.09 cents for the year ended 31 December 2004.
- The Directors recommend a final dividend of 4.7 HK cents for the year ended 31 December 2004 (2003: 0.71 HK cent)

## FINANCIAL RESULTS

The Directors are pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2004 together with the comparative figures for the preceding year ended 31 December 2003 as follows:

	<i>Note</i>	<b>2004</b> <b>RMB'000</b>	2003 <i>RMB'000</i>
Turnover	2	<b>58,731</b>	39,502
Cost of computer software		<b>(2,532)</b>	(1,647)
Value-added tax refund	4	<b>7,725</b>	5,017
Other revenues	2	<b>1,173</b>	406
Staff costs		<b>(14,904)</b>	(12,533)
Depreciation		<b>(1,326)</b>	(1,168)
Royalty charges		<b>(1,544)</b>	(974)
Advertising and promotional expenses		<b>(6,418)</b>	(4,799)
Other operating expenses		<b>(8,312)</b>	(8,206)
Profit before taxation	4	<b>32,593</b>	15,598
Taxation	5	<b>(157)</b>	—
Profit attributable to shareholders		<b>32,436</b>	15,598
Dividends	6	<b>8,166</b>	3,000
Basic earnings per share ( <i>RMB cents</i> )	7	<b>8.09</b>	4.37
Diluted earnings per share ( <i>RMB cents</i> )	7	<b>7.69</b>	4.25

Notes:

### 1. 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) 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 Hong Kong Institute of Certified Public Accountants.

### 2. Turnover and revenue

The Group is principally engaged in the development and sales of packaged software in the People's Republic of China excluding Hong Kong (the "PRC"). Turnover and revenues recognised during the year are as follows:

	<b>2004</b> <i>RMB'000</i>	2003 <i>RMB'000</i>
Turnover ( <i>Note</i> )		
Sales of packaged software	<u>58,731</u>	<u>39,502</u>
Other revenues		
Interest income	934	406
Royalty income	<u>239</u>	<u>—</u>
	<u>1,173</u>	<u>406</u>
Total revenues	<u><u>59,904</u></u>	<u><u>39,908</u></u>

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

### 3. Segment information

The Group regards the development and sales of packaged software as a single business segment. The Group also operates within one geographical segment as its revenues are primarily generated in the PRC and its assets are located there. Accordingly, no segmental information is presented.

#### 4. Profit before taxation

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

	2004 RMB'000	2003 RMB'000
Crediting:		
Value-added tax refund ( <i>Note (i)</i> )	7,725	5,017
Reversal of provision for doubtful debts	—	129
	<u>          </u>	<u>          </u>
Charging:		
Loss on disposal of fixed assets	—	18
Auditors' remuneration	543	431
Net exchange loss	9	2
Operating lease rentals	2,476	1,947
Bad debts written off	—	48
Provision for doubtful debts	104	—
Research and development costs ( <i>Note (ii)</i> )	3,741	3,070
	<u>          </u>	<u>          </u>

*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 research and development costs are staff emoluments, lease rental payments and depreciation totaling RMB3,628,000 (2003: RMB2,841,000), which have been separately included in staff costs, operating lease rentals and depreciation.

#### 5. Taxation

No provision for Hong Kong profits tax has been made for the year ended 31 December 2004 (2003: Nil) as the Group had no estimated assessable profit in Hong Kong.

The Group's subsidiaries in the PRC, Superdata Software Technology (Guangzhou) Limited ("Superdata (Guangzhou)"), Glory Software (Shanghai) Limited ("Glory (Shanghai)"), and Superdata Network Technology (Guangzhou) Limited ("Superdata Network") 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 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. 2004 is the second profitable year for Superdata (Guangzhou) after offsetting all accumulated operating losses brought forward. It has been approved by 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 two years and a 50% reduction in EIT for the next three years, commencing 2001. For the year ended 31 December 2004, no PRC profits tax has been provided as Glory (Shanghai) had no assessable profit for the year.

Superdata Network is registered in Guangzhou Economic Technology Development District. It has been approved by the tax authorities for a preferential EIT rate of 18%. It is also applying for full exemption from EIT for the first two years and a 50% reduction in EIT for the next three years, commencing the first profitable year after offsetting all tax losses carried forward from the previous five years.

The amount of taxation charged to the consolidated profit and loss account represents:

	<b>2004</b> <i>RMB'000</i>	2003 <i>RMB'000</i>
Current taxation:		
— PRC EIT	<u>157</u>	<u>—</u>
Taxation charges	<u><u>157</u></u>	<u><u>—</u></u>

The taxation on the Group’s profit before taxation differs from the theoretical amount that would arise using the statutory tax rate of the PRC as follows:

	<b>2004</b> <i>RMB'000</i>	2003 <i>RMB'000</i>
Profit before taxation	<u>32,593</u>	<u>15,598</u>
Calculated at a statutory tax rate of 33% (2003: 33%)	<b>10,756</b>	5,147
Effect of tax exemptions and reductions	<b>(11,714)</b>	(5,820)
Expenses not deductible for taxation purposes	<b>36</b>	—
Unrecognised tax losses	<u>1,079</u>	<u>673</u>
Taxation charge	<u><u>157</u></u>	<u><u>—</u></u>

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 2004 and 2003.

## 6. Dividends

	<b>2004</b> <i>RMB'000</i>	2003 <i>RMB'000</i>
Interim, paid, of RMB2 cents (1.9 HK cent) (2003: Nil) per ordinary share	<b>8,166</b>	<u>—</u>
Final, proposed, of RMB5 cents (4.7 HK cents) (2003: RMB0.75 cent (0.71 HK cent)) per ordinary share	<u><u>20,142</u></u>	<u><u>3,000</u></u>

At the meeting held on 21 March 2005, the directors recommended a final dividend of RMB5 cents (4.7 HK cents) per share for the year ended 31 December 2004. 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 2005.

## **7. Earnings per share**

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of approximately RMB32,436,000 (2003: approximately RMB15,598,000) and the weighted average number of ordinary shares of approximately 401,010,000 (2003: 357,260,000) in issue during the year.

The calculation of diluted earnings per share is based on the Group's profit attributable to shareholders of approximately RMB32,436,000 (2003: approximately RMB15,598,000) and the diluted weighted average number of shares in issue during the year of approximately 421,964,000 (2003: 367,092,000). It has been calculated after taking into account all dilutive instruments outstanding at 31 December 2004. The number of the potential dilutive ordinary shares resulting from the exercise of the outstanding share options is approximately 20,954,000 (2003: 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.

## 8. Reserves

	Share premium RMB'000 <i>Note (i)</i>	Merger reserve RMB'000 <i>Note (ii)</i>	Exchange reserve RMB'000	Share issuance costs RMB'000	Statutory reserve fund RMB'000 <i>Note (iii)</i>	Retained earnings RMB'000	Total RMB'000
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	<u>16,498</u>	<u>44,685</u>	<u>29</u>	<u>—</u>	<u>625</u>	<u>3,163</u>	<u>65,000</u>
At 1 January 2004	16,498	44,685	29	—	625	3,163	65,000
Profit for the year	—	—	—	—	—	32,436	32,436
Share issuance upon exercise of options	272	—	—	—	—	—	272
Appropriation to statutory reserve fund	—	—	—	—	619	(619)	-
Dividends	—	—	—	—	—	(11,166)	(11,166)
Currency translation differences	—	—	(10)	—	—	—	(10)
At 31 December 2004	<u>16,770</u>	<u>44,685</u>	<u>19</u>	<u>—</u>	<u>1,244</u>	<u>23,814</u>	<u>86,532</u>

### Notes:

- (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. The total amount allocated to statutory reserve fund was approximately RMB619,000 (2003: RMB625,000) for the year ended 31 December 2004. This reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.



## MANAGEMENT DISCUSSION AND ANALYSIS

### General Overview

Fiscal 2004 was a year of success for Superdata. The Group continues to focus on the development and distribution of packaged management software specifically for the small and medium enterprises (“SME(s)”) in the PRC market.

The operating environment was generally challenging with abundant opportunities. Keeping pace with the accelerating demand of the industry, Superdata was managed to diversify our product variety, expand our sales channels and strengthen our brand image with an aim to establish a more sustainable revenue stream and compete more effectively with existing competitors.

In year 2004, the Group achieved a record-breaking result with turnover surged to approximately RMB58.7 million, representing an increase of 48.6% over that of RMB39.5 million in last year, and profit attributable to shareholders increased by 107.7% to approximately RMB32.4 million. The weighted average basic earnings per share was RMB8.09 cents, an increase of 85.1% over the corresponding period of the previous year. These encouraging results in year 2004 were attributable to our combined growth initiatives and continuous effective cost management.

### Products Development

Superdata intends to leverage on customers relationships by continuing broaden the product offerings to accommodate tremendous customers demand. In year 2004, the Group has significant advancement in both of its new products development and existing products upgrades. Three main innovative products series, namely SD1000 series, SD5000 series and E3 series, were launched during the year. SD1000 series and SD5000 series were developed on the foundation of SD3000 series targeting small businesses while E3 series were developed on the foundation of E2 series targeting medium businesses with more sophisticated operational structure.

Launched in September 2004, SD1000 series is an easy to use integrated application software serving the most fundamental needs of small and new businesses. It provides basic functions on accounting module, logistics module as well as customer relationship management modules. The SD1000 series ensure customers of broader base can gain value of our products at an even lower affordable costs.

SD5000 series was launched on April 2004. Built on a redesigned management and operational flow, SD5000 series are strong at their divisional functions which facilitate the sizeable businesses to increase the operation efficiency by strengthening the linkage across different functional groups in the company. The launches of SD5000 series provided a better choice for industry who seeks for a comprehensive operation platform to improve their internal workflow management.

For the medium-sized enterprises, Superdata has also innovated and launched E3 series in replacement of E2 series. This new series is positioned to serve the needs of sizeable and well developed companies who seek for a more comprehensive operating system with enhanced capacity and functionality. E3 series has two major versions: trading and manufacturing. The Group positioned E3 as ERP series in medium-sized

enterprise market. Considering there is a huge potential growth in this market, Superdata will deploy resources in future to further enhance the capacity of E series and to ensure the Group can establish a much broader and more sustainable revenue stream in higher tier market.

The “Popularization” of the Internet application in China over the last five years has created tremendous demands on a variety of internet application software. To capture the market trend on the demands of relevant products, the Group has committed on the research and development of product series based on the Internet Technology in year 2004. The release of Computer Automatic Design (“CAD”), a web building software, remarked the new era of the Group in bringing delights to our customers in a more extensive approach. CAD succeeds the premium features of all other Superdata software in its ease of uses and attractive user interfaces.

## **Sales and Marketing**

The Group focused its sales and marketing strategy in indirect sales channels. Currently, the Group has three main distribution channels, including Advantage Business Partners (“ABP”), Professional Business Partners (“PBP”) and Internet Business Partners (“IBP”) operating its various products series to cater for the needs of customers in different market segments ABP is one of the channels to help delivering the Group’s small enterprise products through the retail outlets while PBP offer enterprise level solutions and advisory services to medium-sized enterprise. IBP is new distribution channel established in this year specifically dealing with the distribution of Internet products.

The Group established a well structured sales network throughout the year to cover the entire country, including 18 representative offices together with over 1,400 retail channels in Guangzhou, Beijing, Shanghai and other major cities in the PRC. The expansion of the representative office and retail channels extended the coverage of Superdata’s products in the market.

To further enhance its reputation and brand name, the Group has engaged in a series of promotion programs organized by CCTV, the largest TV media channel in China, starting in second half of the year 2004. The Group also launched several promotion meetings and campaigns with distributors and customers during the year aiming to promote the products brand name and increase Superdata’s market recognition.

## **Corporate Development**

With the growing demand on the Internet application software in China, the Group has committed itself on the research and development of a new products series with Internet function as the core theme.

In November, the Group established Superdata Network Technology (Guangzhou) Limited (“Superdata Network”). Superdata Network focuses on the development and sales of packaged software, namely Computer Automatic Design (“CAD”). CAD provides a quick and easy way to SMEs to build up and maintain their own web portal to promote their business through nowadays popularized communication media - Internet - in China. The Group considered CAD will receive well acceptance and recognition from the market and provide continuous growing momentum to Superdata in the year 2005.

## **Financial Review**

### ***Consolidated Results of Operation***

For the year ended 31 December 2004, the Group recorded a total turnover of approximately RMB58.7 million, representing an increase of approximately 48.6% over that of the previous financial year. Sales growth was mainly attributed to the launches of the new products, namely SD1000 and SD5000 series, in Year 2004; while the existing products, e.g. SD3000 series, maintained sustainable sales in our developing market.

### ***Net Profit***

The Group recorded a net profit attributable to shareholders of approximately RMB32.4 million for the year ended 31 December 2004, representing an increase of approximately 107.7% over that of the previous year. The net profit margin surged from approximately 39.5% in year 2003 to 55.2% in year 2004. This encouraging result was achieved by the continuous sales growth coinciding with the effective cost control.

### ***Other Revenues***

For the year ended 31 December 2004, the Group's other income was approximately RMB1.2 million, an increase of approximately 1.9 times over that of the previous year, which are mainly interest income from bank deposits and royalty income from distributors for the right to distribute the Group's products in certain regions in the PRC.

### ***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 approximately RMB32.5 million when compared to RMB27.7 million in year 2003. The increase was mainly due to increase in staff costs associated with our planning for expanding the sales and marketing division to enhance marketing and sales force on new products. Further, the Group also incurred additional advertising and promotional expenses (e.g. advertising in CCTV) to reinforce the sales power of channel partners in the retail market.

### ***Outlook***

Strong commitment to innovate and deliver superior products to the Group's customers is the cornerstone of the Group's success. The Directors believe the ultimate customers' satisfaction can enable the Group to maintain its market leadership in the provision of integrated business management software solutions to SMEs in the PRC.

We believe the most effective way to increase the sales of the Group is to expand 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 to ensure that the recruitment of alliances will benefit 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 a comprehensive 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 this regard, the Group is committed to improve our post-sales services by building up the workforce of our products support team to prepare for the future challenge of more new products developing in the coming years.

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 SME's application software market with the aim to bring more values to its business partners and shareholders in the future.

## **SIGNIFICANT INVESTMENT**

As at 31 December 2004, the Group did not have any significant investment.

## **MATERIAL ACQUISITIONS AND DISPOSAL/FUTURE PLANS FOR MATERIAL INVESTMENT**

There had 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.

## **GEARING RATIO**

As at 31 December 2004, the Group did not have any long-term debts and its shareholders' funds amounted to approximately RMB90.8 million. In this regard, the Group holds a net cash position with its gearing ratio of zero (net debt to shareholders' funds) as at 31 December 2004.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its operations with internally generated cash flows.

As at 31 December 2004, the Group had cash and cash equivalents of RMB21.8 million as compared to RMB26.9 million as at 31 December 2003.

## **FOREIGN EXCHANGE EXPOSURE**

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

## **CHARGES OF GROUP ASSETS**

As at 31 December 2004, the Group did not have any charges on its assets.

## **CONTINGENT LIABILITY**

As at 31 December 2004, the Group did not have any significant contingent liabilities.

## EMPLOYEE INFORMATION

As at 31 December 2004, the Group had 404 full-time employees (2003: 305) working in Hong Kong and mainland China. The total staff costs, including directors' emoluments, amounted to approximately RMB14.9 million (2003: RMB12.5 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

The Company adopted a pre-IPO share option scheme (the Pre-IPO Share Option Scheme) and a share option scheme (the "Share Option Scheme") (collectively the "Schemes") which was approved by written resolution of shareholders on 19 May 2003. The Schemes 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.

During the year, there were 30,000,000 share options granted by the Company under the Share Option Scheme adopted on 19 May 2003, to three executive Directors, and certain employee of the Group. None of these options has been exercised during the year.

## BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS COMPARISON

The following is a summary of the actual progress of the Group compared with the business objective set out in the Prospectus dated 28 May 2003 for the six months ended 31 December 2004:

### **Business objective as stated in the Prospectus dated 28 May 2003**

### **Actual business progress for the six months ended 31 December 2004**

#### **1. Sales and distribution**

Expand the number of authorized business partners/retailers in order to enhance the sales and distribution network of the Group.

The number of regional offices increased to be 18 (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.

#### **2. Marketing**

Launch, advertise and promote the wholesaler software via media and by attending or organizing conferences and seminars.

To grasp the market demand, the Group has redirected its resource to development of CAD in order to meet with the popularity of internet usage in China. At the same time, the Group also promote its products through various media including CCTV in China.

**Business objective as stated in the Prospectus dated 28 May 2003**

**Actual business progress for the six months ended 31 December 2004**

**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 management software for wholesalers.

Resources have been redirected to the development of CAD, a web building software, which the Group considered to have huge potential in future.

Continue to upgrade the existing of 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 services staff regarding the Group's products.

Training is on-going.

Continue to help more authorized retailers to build up services centres for the Group's various products.

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

**5. Human resources**

Employ additional 7 R&D staff, 4 sales and marketing staff and 2 general and administrative staff.

More staff than stated was employed in order to cope with expansion of business, especially on newly involved internet business.

Employ 3 additional technical servicing staff.

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

Provide trainings and short-term course to the technical personnel.

Trainings and short-term courses have been 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:

	<b>According to the use of the proceeds as stated in the Prospectus dated 28 May 2003 <i>HK\$' million</i></b>	<b>Amount utilized up to 31 December 2004 <i>HK\$' million</i></b>
Continue to develop new business management software	3.5	3.3
Enhance support services and expand distribution network and product range in order to maintain dominant market position	4.0	3.9
Enhance R&D capability	2.0	1.7
Enhance the brand image and reputation of “Quickbooks”	3.4	3.6
	<hr/>	<hr/>
	12.9	12.5
	<hr/> <hr/>	<hr/> <hr/>

## COMPETING INTERESTS

IDG Technology Venture Investment, Inc., 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 December 2004, none of the directors 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 INTERESTS

During the year ended 31 December 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.

Pursuant to the sponsor agreement dated 28 May 2003 entered into 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.

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 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 as at 31 December 2004.

## **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 year ended 31 December 2004.

## **COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES**

The Company has complied with the Board Practices and Procedures set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the year ended 31 December 2004.

## **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 Institute of Certified Public Accountants in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules effective as at 31 December 2004.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The Committee comprises three independent non-executive directors, namely Dr. Lo Wing Yan, William, JP, Mr. Sun Tak Dee, Teddy and Mr. Kwong Kai Sing, Benny. Four meetings were held during the year ended 31 December 2004.

## **FINAL DIVIDENDS**

At the Annual General Meeting of the Company to be held on 29 April 2005, the Directors will recommend a final dividend of 4.7 HK cents per share to the shareholders of the Company for the year ended 31 December 2004 (2003: 0.71 HK cent). Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend will be payable on not later than 31 July 2005 to shareholders whose names appear on the register of members of the Company on 26 April 2005.



## **CLOSURE OF REGISTER**

The register of members of the Company will be closed from 26 April 2005 to 29 April 2005 (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, Hopewell Centre, 46th Floor, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:00 p.m. on 25 April 2005.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2004.

By order of the Board

**Cen Anbin**  
*Chairman*

Hong Kong, 21 March 2005

*As at the date of this announcement, the executive Directors of the Company are Mr. Zou Qixiong, Mr. Cen Anbin and Mr. Lin Gang; the non-executive directors of the Company are Mr. Zhou Quan, Mr. Lin Dongliang, Mr. Jiao Shuge and Mr. Wang Lin; and the independent non-executive directors of the Company are Dr. Lo Wing Yan, William, JP, Mr. Sun Tak Dee, Teddy and Mr. Kwong Kai Sing, Benny.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its publication.*