

A world map is visible in the upper portion of the page, rendered in a light blue color against a darker blue background. The map shows the continents of North America, South America, Africa, Europe, and Asia.

04
Annual Report

Superdata Software Holdings Limited

(Incorporated in the Cayman Islands with limited liability)



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

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

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

Leading SME Management Software Development in PRC



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



Products Launched in 2004

	<p>SD 5000 Series</p>	<p>April 2004</p>
	<p>SD Pharmacy Management (upgrade)</p>	<p>June 2004</p>
	<p>E3 Series</p>	<p>July 2004</p>
	<p>SD 1000 Series</p>	<p>September 2004</p>
	<p>Computer Automatic Design ("CAD")</p>	<p>November 2004</p>

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Corporate Information

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

Dr. Lo Wing Yan, William, *JP*
Mr. Sun Tak Dee, Teddy
Mr. Kwong Kai Sing, Benny

Company Secretary

Mr. Lee Wai Ho *ACCA AHKSA*

Qualified Accountant

Mr. Lee Wai Ho *ACCA AHKSA*

Compliance Officer

Mr. Cen Anbin

Members of the Audit Committee

Dr. Lo Wing Yan, William, *JP*
Mr. Sun Tak Dee, Teddy
Mr. Kwong Kai Sing, Benny

Authorized representatives

Mr. Zou Qixiong
Mr. Cen Anbin

Legal advisor as to Hong Kong Law

Iu, Lai & Li

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

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

Principal Share Registrar and Transfer Office

Computershare Hong Kong Investor
Services Limited
46th Floor Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

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

Sponsor

First Shanghai Capital Limited

Auditors

PricewaterhouseCoopers

Company Homepage

www.superdata.com.cn

Stock Code

8263

Financial Highlights

- Turnover of the Group amounted to approximately 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 per share for the year ended 31 December 2004 (2003: 0.71 HK cent).

Year ended 31 December	
2004	2003
RMB'000	<i>RMB'000</i>

Results

Revenue:		
Turnover	58,731	39,502
Profitability:		
Profit attributable to shareholders	32,436	15,598

Assets and liabilities

Total assets	104,704	76,927
Total liabilities	(13,886)	(7,671)
Shareholders' equity	90,818	69,256

Earnings Per Share

Basic	RMB8.09 cents	RMB4.37 cents
Diluted	RMB7.69 cents	RMB4.25 cents

Chairman's Statement



Cen Anbin
Chairman

I would like to present the 2nd annual report of Superdata Software Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2004 to shareholders.

2004 was a banner year for Superdata. The Group achieved a record-breaking revenue of RMB59 million with net profit of RMB32 million, increased by 48.6% and 107.7% respectively, as compared to last year. Along with the posting record results, we significantly strengthened the Group's financial position. The Group generated a RMB38 million free cash flow during the year. Netting our interim dividend paid out at approximately RMB8 million, the cash position of the Group as at the year ended 2004 reached RMB92 million. With our low level of debtors balances (at around RMB3 million out of annual turnover RMB59 million) and our consistency in maintaining our cash sales policy, Superdata operates to develop our business in one of the strongest balance sheets in the industry.

Over the past 6 years, Superdata has established as one of the most recognized brands in China providing quality and easy-to-use business management software to customers in the marketplace. Innovation, quality and customer satisfaction are the cornerstones of our business. The Group is dedicated to develop new products and upgrades that are productive and reliable with an aim of strengthening the competence of SMEs to operate in the challenging environment.

To broaden our revenue streams, we strived to augment our product portfolio by the launches of certain new products in the year. SD1000 series and SD5000 series were the new products succeeded the capabilities of SD3000 series in financial and inventories management while their features and specifications were tailored made for the needs of enterprises with different sizes. These two products remarked our successful strategy of deepening our product penetration to different specific market segments and its success contributed significantly to the revenue growth of the Group in year 2004.

To maximize the value of our shareholders, our management believes that continuously exploring new directions of product development is crucial to enhance our high growing momentum. In this regard, the Group developed the Computer Automatic Design ("CAD") - a web building software. CAD provides very comprehensive functions and interface to facilitate our focused customers - SMEs - to construct their own company websites in a quick and easy manner. The product was launched in last 2004 and, at this initial stage, the products received very positive feedbacks from our distributors as well as our existing users.

Beyond delivering new products to the marketplace, we took extra steps in enhancing our cooperation relationship with our channels partners. The Group has significant progress in expanding its distribution channels and setting up its representative offices to extend its services coverage to majority of cities in China. To sustain our strategic direction in indirect channels sales, the Group is planning to set up additional representative offices in order to further enhance the support to our channel partners in future.

We believe Superdata has a distinct competitive advantage in the market with the ability to capitalise on the strength of our financial position and well developed distribution channels and take advantage of exciting new growth initiatives including CAD and other developing products. As we strive to add value to our shareholders, we will continue to leverage our fundamental strengths to focus on our long-term objectives - bringing Superdata the most recognized brand in the China software market.

As we look forward to 2005, we would like to extend our sincere thanks to our shareholders, customers, and partners for their ongoing supports. We would also like to thank our employees for their dedication to the success of Superdata.

Cen Anbin

Chairman

Hong Kong, 21 March 2005

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 believes CAD will receive well acceptance and recognition from the market and provide continuous growing momentum to Superdata in 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 Renminbi. 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 Renminbi.

Changes 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.

Particulars of the scheme are set out in the Share Options section of the report from pages 21 to 24.

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 wholesales 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.

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 R&D of 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 R&D facilities and other equipment.

Upgrading is on-going.

Business objective as stated in the Prospectus dated 28 May 2003

Actual business progress for the six months ended 31 December 2004

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 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:

	According to the use of the proceeds as stated in the Prospectus dated 28 May 2003	Amount utilized up to 31 December 2004
	<i>HK\$' million</i>	<i>HK\$' million</i>
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 brand image and reputation of "Quickbooks"	3.4	3.6
	12.9	12.5

Profiles of Directors

Executive Directors

Mr. Zou Qixiong, aged 47, is one of the founders of the Group. Mr. Zou is also the chief executive officer and executive Director of the Group, and is responsible for the overall strategic planning and business of the Group. He has in-depth knowledge and extensive experience of almost 20 years in the engineering field. Mr. Zou had studied computer science in Zhongshan University in the PRC as a part-time student during 1984 to 1986, but did not attain any qualification therefrom. Prior to founding the Group in March 1998, Mr. Zou had held positions with several organisations/companies, including engineer of a hospital in Guangzhou, the PRC, namely 中國人民解放第四二一醫院 (Chinese People's Liberation Hospital No. 421) from September 1993 to October 1994 and general manager of Baida Electro Engineer Company, a private company in the PRC, from 1994 to February 1998.

Mr. Cen Anbin, aged 41, is an executive Director, the chairman and one of the founders of the Group. Mr. Cen is responsible for the Group's overall strategic planning, formulation of corporate policies and management of the Group. Mr. Cen holds each of a bachelor and master degree in control engineering from the National University of Defence Technology and Harbin Institute of Technology in the PRC in 1984 and 1987 respectively. Prior to founding the Group together with Mr. Zou in March 1998, Mr. Cen was the senior software engineering and project manager for OLYMPUS America in medical imaging processing from 1993 to 1996.

Mr. Lin Gang, aged 52, is one of the founders of the Group. Mr. Lin is also the vice president of administration of the Group. He oversees the overall strategic planning and business development of the Group. Mr. Lin has in-depth and extensive experience in the IT industry, especially in the fields of product development, sales and marketing and corporate management. Mr. Lin Gang joined the Group in March 1999.

Non-executive Directors

Mr. Zhou Quan, aged 47, is a non-executive Director. Mr. Zhou joined IDGVC in 1993 as vice-president of investment, and has been the managing director of IDGVC since 1995. Mr. Zhou obtained his bachelor degree in science from University of Science and Technology of China in 1982, a master degree in science from the Chinese Academy of Science in 1985, and a doctorate of philosophy in fiber optics from Rutgers University in the United States in 1989. Mr. Zhou joined the Group in March 1999.

Mr. Lin Dongliang, aged 42, is a non-executive Director. Mr. Lin is a vice president and general partner of IDGVC. He was a senior research fellow in the Development Research Center (PRC) of the State Council of China from 1986 to 1995. Mr. Lin was sent by PRC to Citicorp New York, the United States as a research fellow from 1992 to 1993. He also earned his master degree of management engineering from Tsinghua University in 1988. Mr. Lin joined the Group in August 1998.

Mr. Jiao Shuge, aged 39, is a non-executive Director. Mr. Jiao is currently the president of 北京鼎暉創新投資顧問有限公司 (Beijing Dinghui Venture Capital Advisor Company Limited), a director of 福建南平南孚電池公司 (Fujian Nanping Nanfu Battery Company Limited) and 北京太洋藥業有限公司 (Beijing Tai Yang Medicines Company Limited). He had worked for direct investment department of CICC Investment Holdings Company Limited as a deputy general manager during 1995 to 2002. Prior to this service, Mr. Jiao had held positions as an investment manager, and an analyst of various companies/organisations. Mr. Jiao holds each of a bachelor and master degree from 山東大學 (Shandong University) and 航天部大學 (China Space Ministry) respectively. Mr. Jiao joined the Group in November 2000.

Mr. Wang Lin, aged 36, is a non-executive Director. Mr. Wang is currently a vice president of 北京鼎暉創新投資顧問有限公司 (Beijing Dinghui Venture Capital Advisor Company Limited) and a director of 北京桑德環保工程股份有限公司 (Beijing Sang De Environmental Protection Engineering Holdings Company Limited). He had worked for the direct investment department of CICC Investment Holdings Company Limited as a senior manager from April 1999 to August 2002. Prior to this service, Mr. Wang had held senior positions in various companies/organisations over the years. Mr. Wang obtained a doctorate degree in Economics from 財政部財政科學研究所 (The Scientific Research Centre of Finance Department under Ministry of Finance). Mr. Wang joined the Group in November 2000.

Independent Non-executive Directors

Dr. Lo Wing Yan, William, JP, aged 44, is an independent non-executive Director. Dr. Lo is currently the executive director and vice-president of China Unicom Limited, a telecommunications operator in China, which is listed on both the Stock Exchange and New York Stock Exchange. He is also at present the non-executive chairman of WPP Greater China, a division of WPP Group Plc., which is a communication services group and the shares of which are listed on the London Stock Exchange and NASDAQ. Dr. Lo is a board member of the Hong Kong Applied Science and Technology Research Institute as well as the Hong Kong Jockey Club Institute of Chinese Medicine Limited. He is a non-executive director of a number of listed companies in Hong Kong and in New York including Softbank Investment International (Strategic) Limited, Capital Publications Limited, Panorama International Holdings Limited and Nam Tai Electronics, Inc.. Dr. Lo was the chief executive officer of Citibank's Global Consumer Banking Business for Hong Kong, Macau from 1998 to 1999. Prior to his appointment at Citibank, Dr. Lo was the founding managing director of Hongkong Telecom IMS Limited. Dr. Lo holds a master of philosophy degree in Molecular Pharmacology and a doctor of philosophy degree in Genetic Engineering, both from Cambridge University, England. He was a Commonwealth Scholar, a Croucher Foundation Fellow (H.K.), and a Bye-Fellow of Downing College, Cambridge University in the United Kingdom. In 1996, Dr. Lo was selected as a "Global Leader for Tomorrow" by World Economic Forum. In 1999, Dr. Lo was appointed as a Justice of the Peace (JP) of Hong Kong by the Government. In 2003, Dr. Lo was appointed as Committee Member of Shantou People's Political Consultative Conference.

Mr. Sun Tak Dee, Teddy, aged 37, is an independent non-executive Director. Mr. Sun is currently a director and acting chief executive officer of Netease.com, Inc. From July 2000 to September 2001, he served as a chief financial officer of Infoserve Technology Inc. Prior to this service, Mr. Sun had over 12 years of working experience in the investment banking sector. Mr. Sun held various positions with Bear Stearns Asia Limited from November 1996 to May 2000, culminating in the position of managing director. Prior to November 1996, Mr. Sun was an assistant director with Peregrine Capital Limited. Mr. Sun holds a bachelor degree of science in economics from the Wharton School of Business, University of Pennsylvania in the United States. He joined the Group in September 2002.

Mr. Kwong Kai Sing, Benny, aged 46, is an independent non-executive Director. Mr. Kwong graduated from Simon Fraser University in British Columbia, Canada with a bachelor degree in arts. He held senior positions with major international banks in Hong Kong in their respective lending departments & China department for many years. For the past several years, he has served as Executive Director of over 10 publicly listed companies both in Hong Kong, Canada & the UK. Mr. Kwong has extensive knowledge in corporate finance & banking.

Report of the Directors

The directors have pleasure in submitting their report together with the audited accounts of Superdata Software Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31 December 2004.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 13 to the accounts. The Group is principally engaged in the development and sales of packaged software in the People Republic of China (the “PRC”).

Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 32.

The directors have declared an interim dividend of RMB2 cents (1.9 HK cents) per ordinary share, totalling RMB8,166,000, which was paid on 26 September 2004.

The directors recommend the payment of a final dividend of RMB5 cents (4.7 HK cents) per ordinary share, totalling RMB20,142,000, for the year ended 31 December 2004.

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.

Reserves

Details of the movement in the reserves of the Group and of the Company during the year are set out in note 21 to the accounts.

Fixed Assets

Details of the movements in fixed assets of the Group are set out in note 11 to the accounts.

Share Capital

Details of the movements in share capital of the Company are set out in note 19 to the accounts.

Distributable Reserves

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

As at 31 December 2004, distributable reserves of the Company amounted to RMB49,797,000 (2003: RMB49,269,000).

Pre-emptive Rights

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

Directors

The directors during the year were:

Executive directors:

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

Non-executive directors

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

Independent non-executive directors:

Dr. Lo Wing Yan, William, *JP*
Mr. Sun Tak Dee, Teddy
Mr. Kwong Kai Sing, Benny (Appointed on 30 September 2004)

In accordance with Article 87 of the Company's Articles of Association, Mr. Lin Dongliang, Mr. Zhou Quan and Mr. Kwong Kai Sing, Benny will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual meeting of the Company.

Biographical Details of Directors and Senior Management

Brief biographical details of directors and senior management are set out on pages 16 to 18.

Directors' Service Contracts

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

Directors' Interests in Contracts

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

Share Options

Pre-IPO Share Option Scheme

Pursuant to a Pre-IPO share option scheme ("Pre-IPO Share Option Scheme") adopted by the Company on 19 May 2003, the Company had granted Pre-IPO share options to three executive directors, one senior management staff and one part-time consultant and to Mr. Cen Anbin and Mr. Zhou Quan acting as joint trustees (together the "Trustee") of a trust established for the benefit of the employees of the Group who are PRC nationals (excluding the three executive directors, one senior management staff and one part-time consultant of the members of the Group) (the "Trust"). 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 each 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.

Share Options *(Continued)***Pre-IPO Share Option Scheme** *(Continued)*

The following table discloses movements in the Pre-IPO share options of the Company during the year:

	Held at 1 January 2004	Number of share options Exercised during the year (Note)	Held at 31 December 2004	Exercise price per share
Directors				
Mr. Cen Anbin	5,674,088	(1,134,817)	4,539,271	HK\$0.10
Mr. Zou Qixiong	5,674,088	(1,134,817)	4,539,271	HK\$0.10
Mr. Lin Gang	2,837,045	(567,409)	2,269,636	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
	24,142,213	(2,837,043)	21,305,170	
Employees				
In aggregate	248,018	—	248,018	HK\$0.10
In aggregate	2,384,793	—	2,384,793	HK\$0.26
	2,632,811	—	2,632,811	
Total	26,775,024	(2,837,043)	23,937,981	

Note: Exercise date was 23 August 2004. At the date before the options were exercised, the market value per share was HK\$0.88.

Share Options *(Continued)*

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 of the Group and to enable the Group to recruit and/or to retain high-calibre employees and attract human resources that are valuable to the Group. The Board from time to time or a duly authorised committee thereof delegated with the powers of the directors to administer the Share Option Scheme may, at its discretion, grant options to any executive or non-executive director, consultant, agent, adviser, employee of the Group and any discretionary trust whose discretionary objects are executive or non-executive director, consultant, agent, adviser or employee of the Group.

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

	Held at 1 January 2004	Number of share options Granted during the year	Held at 31 December 2004	Exercise price per share
Directors				
Mr. Cen Anbin	—	10,000,000	10,000,000	HK\$0.70
Mr. Zhou 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 board resolution passed on 22 March 2004.
- (ii) The closing price of the share of HK\$0.01 each of the Company quoted on the Growth Enterprise Market ("GEM") of the Stock Exchange on 22 March 2004 was HK\$0.54.

Share Options *(Continued)***Share Option Scheme** *(Continued)**Notes: (Continued)*

- (iii) The options are exercisable from 22 March 2004 to 21 March 2014 (both days inclusive) subject to the following vesting period:
- (i) up to one-third of the options commencing 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 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 1 April 2009.

The directors are of the view that the calculation of the value of the share options granted by the Company during the year 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 31 December 2004, the interests or short positions of the directors and the chief executives 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 maintained under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the minimum standards of dealing by directors in Rule 5.40 of the GEM Listing Rules, were as follows:

Long positions in shares

Name of Directors	No. of shares	Nature of interests	Approximate percentage of interest (%)
Mr. Cen Anbin	24,583,308	Corporate <i>(Note 1)</i>	6.10%
	2,134,817	Personal	0.53%
Mr. Zou Qixiong	23,724,016	Corporate <i>(Note 2)</i>	5.89%
	1,134,817	Personal	0.28%
Mr. Lin Gang	8,129,569	Corporate <i>(Note 3)</i>	2.02%
	667,409	Personal	0.17%

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

Long positions in shares *(Continued)*

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 at 31 December 2004	Nature of interests	Approximate percentage of interest (%)
Mr. Cen Anbin	4,539,271 options granted under the Pre-IPO Share Option Scheme	4,539,271	Personal (Note 4)	1.13%
	9,956,992 options granted under the Pre-IPO Share Option Scheme	9,956,992	Other (Note 7)	2.47%
	10,000,000 options granted under the Share Option Scheme	10,000,000	Personal (Note 8)	2.48%
Mr. Zou Qixiong	4,539,271 options granted under the Pre-IPO Share Option Scheme	4,539,271	Personal (Note 5)	1.13%
	10,000,000 options granted under the Share Option Scheme	10,000,000	Personal (Note 8)	2.48%

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

Long positions in equity derivatives in, or in respect of, underlying shares *(Continued)*

Name of Directors	Number and description of equity derivatives	Number of underlying shares at 31 December 2004	Nature of interests	Approximate percentage of interest (%)
Mr. Lin Gang	2,269,631 options granted under the Pre-IPO Share Option Scheme	2,269,636	Personal <i>(Note 6)</i>	0.56%
	4,000,000 options granted under the Share Option Scheme	4,000,000	Personal <i>(Note 8)</i>	0.99%
Mr. Zhou Quan	9,956,992 options granted under the Pre-IPO Share Option Scheme	9,956,992	Other <i>(Note 7)</i>	2.47%

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 4,539,271 shares. Detail movement of the relevant options are shown under section Share Options above.
- 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 4,539,271 shares. Detail movement of the relevant options are shown under section Share Options above.
- 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 2,269,631 shares. Detail movement of the relevant options are shown under section Share Options above.
- 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 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 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 10,453,030 options granted under the Pre-IPO Share Option Scheme which, when exercised in full, will result in a total of 10,453,030 shares being issued to them as the joint holders of such shares. IDG Technology Venture Investment, Inc. ("IDGVC") will finance the exercise of the options granted to the Trustee. In the year ended 31 December 2004, no options were lapsed (2003: 496,038). Refer details under Share Options above.

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

Long positions in equity derivatives in, or in respect of, underlying shares *(Continued)*

Notes: *(Continued)*

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 Scheme" above.

Save as disclosed above, as at 31 December 2004, none of the directors or their associates as well as the chief executives of the Company had any interests or short positions in the shares, underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained 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 year ended 31 December 2004, there were no debt securities issued by the Group at any time.

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

As at 31 December 2004, the following persons (other than directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company as recorded in the register maintained under Section 336 of the SFO:

Long position in shares

Name of shareholders	Nature of interests	No. of share	Approximate percentage of interest (%)
IDG Technology Venture Investment, Inc. ("IDGVC")	Corporate <i>(Note a)</i>	85,988,578	21.35
International Data Group, Inc. ("IDG")	Corporate <i>(Note a)</i>	85,988,578	21.35
Mr. Patrick McGovern	Corporate <i>(Note a)</i>	85,988,578	21.35
CDH China Fund, L.P.	Corporate <i>(Note b)</i>	52,780,750	13.10
Heptad Ventures Limited	Corporate <i>(Note b)</i>	52,780,750	13.10
China Diamond Holdings Company Limited	Corporate <i>(Note b)</i>	52,780,750	13.10
China Diamond Holdings, L.P.	Corporate <i>(Note b)</i>	52,780,750	13.10
CDH China Holdings Company Limited	Corporate <i>(Note b)</i>	52,780,750	13.10

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

Long position in shares *(Continued)*

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, and is therefore 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..

Save as disclosed above, as at 31 December 2004, there were no persons who had an interest or short position in the shares or underlying shares of the Company as recorded in the register maintained under Section 336 of the SFO.

Other Shareholders

As at 31 December 2004, the following persons (other than directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company as recorded in the register maintained 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	6.51%
Government of Singapore Investment Corporation (Ventures) Pte. Ltd.	Corporate <i>(Note a)</i>	26,234,822	6.51%

Note:

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

Save as disclosed above, as at 31 December 2004, there was no person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register maintained under Section 336 of the SFO.

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.

Management Contracts

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

Major Customers and Suppliers

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

	Percentage of purchase
The largest supplier	18.7%
Five largest suppliers combined	68.0%

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

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

Board Practices and Procedures

Throughout the year, the company was in compliance with the Board Practices and Procedures as set out in rules 5.34 to 5.45 of the GEM Listing Rules.

Audit Committee

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

Audit Committee *(Continued)*

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.

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.

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.

Auditors

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

On behalf of the Board

Cen Anbin

Chairman

Hong Kong, 21 March 2005



羅兵咸永道會計師事務所

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Central, Hong Kong
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Auditors' Report to the Shareholders of Superdata Software Holdings Limited

(incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 32 to 59 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

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

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

Basis of Opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 21 March 2005

Superdata Software

Consolidated Profit and Loss Account

For the year ended 31 December 2004

Consolidated Profit and Loss Account

		2004	2003
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Turnover	3	58,731	39,502
Cost of computer software		(2,532)	(1,647)
Value-added tax refund	4	7,725	5,017
Other revenues	3	1,173	406
Staff costs	9	(14,904)	(12,533)
Depreciation		(1,326)	(1,168)
Royalty charges	12	(1,544)	(974)
Advertising and promotional expenses		(6,418)	(4,799)
Other operating expenses		(8,312)	(8,206)
Profit before taxation	4	32,593	15,598
Taxation	5	(157)	—
Profit attributable to shareholders	6	32,436	15,598
Dividends	7	28,308	3,000
Basic earnings per share (<i>RMB cents</i>)	8	8.09	4.37
Diluted earnings per share (<i>RMB cents</i>)	8	7.69	4.25

Superdata Software

Consolidated Balance Sheet

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As at 31 December 2004

		2004	2003
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Non-current assets			
Fixed assets	11	3,323	3,354
Intangible assets	12	1,068	1,742
		4,391	5,096
Current assets			
Inventories	14	1,540	1,360
Trade receivables	15	2,904	978
Prepayments and other receivables		3,543	2,940
Fixed deposits	16	70,543	39,662
Cash and bank balances	16	21,783	26,891
		100,313	71,831
Current liabilities			
Trade payables	17	(1,301)	(496)
Customer deposits		(6,025)	(2,245)
Taxes payable		(157)	—
Other taxes payable		(2,287)	(903)
Accrued charges and other payables		(4,116)	(4,027)
		(13,886)	(7,671)
Net current assets		86,427	64,160
Total assets less current liabilities		90,818	69,256
Financed by:			
Share capital	19	4,286	4,256
Reserves			
Proposed final dividend	7, 21(a)	20,142	3,000
Other	21(a)	66,390	62,000
Shareholders' funds		90,818	69,256

Cen Anbin
Director

Zou Qixiong
Director

Superdata Software Annual Report 2004

Balance Sheet

As at 31 December 2004

		2004	2003
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Non-current assets			
Investments in subsidiaries	13	53,540	53,540
Current assets			
Prepayments and other receivables		4	70
Amount due from a subsidiary		834	—
		838	70
Current liabilities			
Accrued charges		(295)	(85)
Net current assets/(liabilities)			
		543	(15)
Total assets less current liabilities			
		54,083	53,525
Financed by:			
Share capital	19	4,286	4,256
Reserves			
Proposed final dividend	21(b)	20,142	3,000
Other	21(b)	29,655	46,269
Shareholders' funds			
		54,083	53,525

Cen Anbin
Director

Zou Qixiong
Director

Superdata Software

Consolidated Statement of Changes in Equity

For the year ended 31 December 2004

	2004	2003
	RMB'000	RMB'000
Total equity as at 1 January	69,256	27,584
Profit for the year	32,436	15,598
Issue of shares	302	32,345
Share issuance costs	—	(8,356)
Acquisition of a subsidiary through a group reorganisation	—	2,086
Currency translation differences	(10)	(1)
Dividends paid	(11,166)	—
Total equity as at 31 December	90,818	69,256

Consolidated Statement of Changes in Equity

Superdata Software Consolidated Cash Flow Statement

For the year ended 31 December 2004

Consolidated Cash Flow Statement

		2004	2003
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Net cash inflow from operating activities	22(a)	37,008	20,285
Investing activities			
Purchase of fixed assets		(1,295)	(1,321)
Increase in fixed deposits		(30,881)	(33,454)
Interest received		934	406
Net cash outflow from investing activities		(31,242)	(34,369)
Net cash inflow/(outflow) before financing		5,766	(14,084)
Financing activities			
Issue of shares excluding share issuance costs	22(b)	302	23,883
Repayment of amount due to a related company	22(b)	—	(8,464)
Dividends paid	22(b)	(11,166)	—
Net cash (outflow)/inflow from financing activities		(10,864)	15,419
(Decrease)/increase in cash and cash equivalents		(5,098)	1,335
Cash and cash equivalents at 1 January		26,891	25,557
Effect of foreign exchange rate changes		(10)	(1)
Cash and cash equivalents at 31 December		21,783	26,891

1. **Business**

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. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited since 6 June 2003.

The Company is an investment holding company. The principal activities of its subsidiaries are engaged in the development and sales of packaged software in the People Republic of China (the "PRC").

2. **Principal accounting policies**

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

(a) Basis of preparation

The accounts have been prepared 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 ("HKICPA"). They have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December.

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

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

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

2. Principal accounting policies *(Continued)*

(c) Fixed assets

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

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

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

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

(d) Intangible assets

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

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

(e) Research and development costs

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

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

2. Principal accounting policies (Continued)

(f) Inventories

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

(g) Trade receivables

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

(h) Cash and cash equivalents

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

(i) Deferred taxation

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

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

(j) Provisions

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

(k) Translation of foreign currencies

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

2. Principal accounting policies *(Continued)*

(k) Translation of foreign currencies *(Continued)*

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

(l) Operating leases

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

(m) Retirement benefit costs

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

(n) Contingent liabilities and contingent assets

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

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

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

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

2. Principal accounting policies (Continued)

(o) Revenue recognition

Sales of packaged software

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

Interest income

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

Royalty income

Royalty income represents the charges to distributors for the right to distribute the Group's products in certain regions in the PRC. Royalty income is recognised on a straight-line basis over the relevant periods of the royalty agreements.

(p) Segment reporting

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.

3. Turnover and revenue

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

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

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

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4. Profit before taxation

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

	2004	2003
	RMB'000	RMB'000
Crediting:		
Value-added tax refund (<i>Note (i)</i>)	7,725	5,017
Reversal of provision for doubtful debts	—	129
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

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 disclosed in other notes to the accounts.

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").

5. Taxation (Continued)

In accordance with the PRC Law of Enterprise Income Tax for Enterprises with Foreign Investment and Foreign Enterprises, Superdata (Guangzhou) is entitled to full exemption from EIT for the first two years and a 50% reduction in EIT for the next three years, commencing 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 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. It has been approved by the tax authorities for a preferential EIT rate of 18%.

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

	2004	2003
	RMB'000	RMB'000
Current taxation:		
— PRC EIT	157	—
Taxation charges	157	—

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5. Taxation (Continued)

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:

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

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. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a profit of RMB11,422,000 (2003: loss of RMB213,000).

7. Dividends

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

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.

8. 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.

9. Staff costs

Staff costs, including directors' remuneration are as follows:

	2004	2003
	RMB'000	RMB'000
Wages and salaries	13,950	11,642
Social security costs	310	226
Pension and retirement costs — defined contribution schemes	431	465
Others	213	200
	14,904	12,533

10. Emoluments for directors and five highest paid individuals

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

	2004	2003
	RMB'000	RMB'000
Fees	217	121
Basic salaries and allowances	1,356	1,356
Retirement benefit scheme contributions	10	9
	1,583	1,486

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10. Emoluments for directors and five highest paid individuals (Continued)

(i) (Continued)

Directors' fees disclosed above include RMB217,000 (2003: RMB121,000) paid to independent non-executive directors.

The three executive directors of the Company received individual emoluments of approximately RMB468,000, RMB478,000 and RMB420,000, respectively, for the year ended 31 December 2004, and RMB468,000, RMB471,000 and RMB426,000, respectively, for the year ended 31 December 2003.

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

	Number of individuals	
	2004	2003
Directors	3	3
Non-directors	2	2
	5	5

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

	2004	2003
	RMB'000	<i>RMB'000</i>
Basic salaries and allowances	318	310
Retirement benefit scheme contributions	10	17
	328	327

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

	Number of individuals	
	2004	2003
Nil to RMB1,064,000 (equivalent to HK\$1,000,000)	2	2

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

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11. Fixed assets

	Group			
	Leasehold improvements	Computer equipment and software	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost				
At 1 January 2004	1,900	3,491	1,767	7,158
Additions	70	777	448	1,295
At 31 December 2004	1,970	4,268	2,215	8,453
Accumulated depreciation				
At 1 January 2004	(1,362)	(1,867)	(575)	(3,804)
Charge for the year	(212)	(704)	(410)	(1,326)
At 31 December 2004	(1,574)	(2,571)	(985)	(5,130)
Net book value				
At 31 December 2004	396	1,697	1,230	3,323
At 31 December 2003	538	1,624	1,192	3,354

12. Intangible assets

	Group	
	<i>RMB'000</i>	
At 1 January 2004	1,742	
Amortisation (<i>Note</i>)	(674)	
At 31 December 2004	1,068	
	Group	
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Cost	2,192	2,192
Accumulated amortisation	(1,124)	(450)
Net book value	1,068	1,742

Note: Royalty charges of the Group totalling RMB1,544,000 (2003: RMB974,000) for the year ended 31 December 2004 include the amortisation charges of RMB674,000 (2003: RMB450,000) and the cash payments of RMB870,000 (2003: RMB524,000) for the use of a trademark.

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13. Investments in subsidiaries

	Company	
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted, at cost	33,090	33,090
Amounts due from subsidiaries	20,450	20,450
	53,540	53,540

The following is a list of all subsidiaries of the Company as at 31 December 2004:

Name	Place and date of incorporation/ establishment	Particulars of issued and fully paid up share capital/registered capital	Attributable equity interest %		Principal activities and place of operations
			<i>Direct</i>	<i>Indirect</i>	
Superdata Software (BVI) Limited ("Superdata (BVI)")	British Virgin Islands, 2 January 2002	2 ordinary shares of US\$1 each	100	—	Investment holding in Hong Kong
Superdata Software (HK) Limited	Hong Kong, 12 December 2001	2 ordinary shares of HK\$1 each	—	100	Investment holding in Hong Kong
Superdata Software Technology (Guangzhou) Limited	The PRC, 1 March 1999	Registered capital US\$4,650,000	—	100	Sales of software in the PRC
Glory Software (Shanghai) Limited	The PRC, 20 November 2002	Registered capital US\$500,000	—	100	Sales of software in the PRC
Superdata Network Technology (Guangzhou) Limited	The PRC, 19 July 2004	Registered capital HK\$10,000,000	—	100	Sales of software in the PRC and provision of network services

The amounts due from subsidiaries are unsecured, interest free and will be repayable subsequent to 31 December 2005.

14. Inventories

	Group	
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	1,088	996
Finished goods	452	364
	1,540	1,360

15. Trade receivables

The Group's credit period granted to customers ranges from 30 to 60 days. As at 31 December 2004, the ageing analysis of trade receivables is as follows:

	Group	
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Current to 30 days	2,103	763
31 days to 60 days	368	87
61 days to 90 days	146	89
91 days to 180 days	274	47
181 days to 360 days	118	30
Over 361 days	128	91
	3,137	1,107
Less: Provision for doubtful debts	(233)	(129)
	2,904	978

16. Fixed deposits and cash and bank balances

As at 31 December 2004, approximately RMB70,542,000 (2003: RMB38,303,000) of the Group's fixed deposits and cash and bank balances were denominated in Renminbi and deposited with banks in the PRC. The conversion of these Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

17. Trade payables

The Group's trade payables are all within 30 days.

18. Pensions and other post-retirement obligations

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

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

19. Share capital

	Note	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares (HK\$)	Equivalent nominal value of ordinary shares (RMB)
Authorised:				
At 1 January 2003		10,000,000	100,000.00	106,400.00
Increase in authorised share capital	(a)	990,000,000	9,900,000.00	10,533,600.00
At 31 December 2003		1,000,000,000	10,000,000.00	10,640,000.00
At 31 December 2004		1,000,000,000	10,000,000.00	10,640,000.00
Issued:				
At 1 January 2003		100	1	1.06
Shares issued upon acquisition of a subsidiary through a group reorganisation	(a)	9,999,900	99,999.00	106,398.94
Shares issued pursuant to the Placing	(b)	100,000,000	1,000,000.00	1,064,000.00
Shares issued pursuant to Capitalisation Issue	(c)	290,000,000	2,900,000.00	3,085,600.00
At 31 December 2003		400,000,000	4,000,000.00	4,256,000.00
At 1 January 2004		400,000,000	4,000,000.00	4,256,000.00
Shares issued upon exercise of share options	(d)	2,837,043	28,370.43	30,185.72
At 31 December 2004		402,837,043	4,028,370.43	4,286,185.72

19. Share capital (Continued)

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

- (a) On 20 May 2003, Shanghai International Development Limited, a company wholly owned by a director of the Company, acquired 100 shares of the Company from Superdata Technology (Asia) Limited ("Superdata (Asia)"), a related company. On the same day, the Company acquired the entire issued share capital of Superdata (BVI) from Superdata (Asia) and became the holding company of the Group by way of issuance and allotment of 9,999,900 shares of the Company, credited as fully paid, to the shareholders of Superdata (Asia) as directed by Superdata (Asia) on a pro-rata basis, taking into consideration of the 100 shares acquired by Shanghai International Development Limited.

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

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

During the year ended 31 December 2004, the following change in issued share capital took place:

- (d) On 23 August 2004, 2,837,043 shares of HK\$0.01 each were issued to three executive directors for HK\$0.1 per share pursuant to the Pre-IPO Share Option Scheme as set out in note 20 to the accounts. The excess over the par value of the shares issued was credited to the share premium account.

20. Share options

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

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

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

Pursuant to the Share Option Scheme, the Company had granted share options to three executive directors and certain employees pursuant to the board resolution passed on 22 March 2004. The options granted under the Share Option Scheme entitle the holders to subscribe for a total of up to 30,000,000 shares at an exercise price of HK\$0.70 each, representing, in aggregate, approximately 7.4% of the existing issued share capital of the Company. All of the options have a duration of ten years from 22 March 2004 to 21 March 2014 (both days inclusive) subject to the following vesting period:

- (i) up to one-third of the options commencing 1 April 2007;
- (ii) up to two-third of the option (including the options not exercised under the limit prescribed for in the first period) commencing 1 April 2008; and
- (iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the first and second periods) commencing 1 April 2009.

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20. Share options (Continued)

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

	Number of options	
	2004	2003
At 1 January	26,775,024	—
Granted under the Pre-IPO Share Option Scheme	—	27,271,062
Granted under the Share Option Scheme	30,000,000	—
Exercise of options during the year (Note)	(2,837,043)	—
Lapsed	—	(496,038)
At 31 December	53,937,981	26,775,024

Note: Options exercised during the year ended 31 December 2004 resulted in 2,837,043 ordinary shares (2003: Nil) being issued at HK\$0.01 each with a total proceed of approximately HK\$284,000 (equivalent to RMB302,000) (2003: Nil).

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

Expiry date	Exercise price	Number of options		Vested percentages	
		2004	2003	2004	2003
Directors (including options held in the capacity as trustees)					
5 June 2013	HK\$0.10	15,167,664	18,004,707	40%	20%
5 June 2013	HK\$0.26	6,137,506	6,137,506	40%	20%
21 March 2014	HK\$0.70	24,000,000	—	—	—
		45,305,170	24,142,213		
Employees					
5 June 2013	HK\$0.10	248,018	248,018	40%	20%
5 June 2013	HK\$0.26	2,384,793	2,384,793	40%	20%
21 March 2014	HK\$0.70	6,000,000	—	—	—
		8,632,811	2,632,811		
		53,937,981	26,775,024		

No share options were cancelled during the year (2003: Nil).

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21. Reserves

(a) Group

	Share premium RMB'000 Note (i)	Merger reserve RMB'000 Note (ii)	Exchange reserve RMB'000	Share issuance costs RMB'000	Statutory reserve fund RMB'000 Note (iii)	Retained earnings RMB'000	Total RMB'000
At 1 January 2003	—	42,599	30	(3,235)	—	(11,810)	27,584
Profit for the year	—	—	—	—	—	15,598	15,598
Acquisition of a subsidiary through a group reorganisation	—	2,086	—	—	—	—	2,086
Shares issued pursuant to the Placing	31,175	—	—	—	—	—	31,175
Shares issued pursuant to Capitalisation Issue	(3,086)	—	—	—	—	—	(3,086)
Share issuance costs	—	—	—	(8,356)	—	—	(8,356)
Set-off of share issuance costs	(11,591)	—	—	11,591	—	—	—
Appropriation to statutory reserve fund	—	—	—	—	625	(625)	—
Currency translation differences	—	—	(1)	—	—	—	(1)
At 31 December 2003	16,498	44,685	29	—	625	3,163	65,000
Representing:							
2003 Final dividend proposed							3,000
Others							62,000
							65,000
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	16,770	44,685	19	—	1,244	23,814	86,532
Representing:							
2004 Final dividend proposed							20,142
Others							66,390
							86,532

21. Reserves (Continued)

(a) Group (Continued)

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.

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21. Reserves (Continued)

(b) Company

	Share premium	Share issuance costs	(Accumulated losses)/ Retained earnings	Total
	RMB '000	RMB '000	RMB '000	RMB '000
At 1 January 2003	—	—	—	—
Loss for the year	—	—	(213)	(213)
Acquisition of a subsidiary through a group reorganisation (Note(i))	32,984	—	—	32,984
Shares issued pursuant to the Placing	31,175	—	—	31,175
Shares issued pursuant to Capitalisation Issue	(3,086)	—	—	(3,086)
Share issuance costs	—	(11,591)	—	(11,591)
Set-off of share issuance costs	(11,591)	11,591	—	—
At 31 December 2003	49,482	—	(213)	49,269
Representing:				
2003 Final dividend proposed				3,000
Others				46,269
				<u>49,269</u>
At 1 January 2004	49,482	—	(213)	49,269
Profit for the year	—	—	11,422	11,422
Share issuance upon exercise of options	272	—	—	272
Dividends	—	—	(11,166)	(11,166)
At 31 December 2004	49,754	—	43	49,797
Representing:				
2004 Final dividend proposed				20,142
Others				29,655
				<u>49,797</u>

Note (i): Share permission arising from acquisition of a subsidiary through a group reorganisation represents the difference between the net assets value of a subsidiary acquired and the nominal value of the ordinary share issued by the Company in connection with the acquisition of the subsidiary through a group reorganisation.

Superdata Software Notes to the Accounts Annual Report 2004

22. Notes to the consolidated cash flow statements

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

	2004	2003
	RMB'000	<i>RMB'000</i>
Profit before taxation	32,593	15,598
Depreciation of fixed assets	1,326	1,168
Loss on disposal of fixed assets	—	18
Amortisation of intangible assets	674	450
Provision for/(reversal of provision for) doubtful debts	104	(129)
Interest income	(934)	(406)
(Increase)/decrease in inventories	(180)	199
(Increase)/decrease in trade receivables	(2,030)	220
Increase in prepayments and other receivables	(603)	(170)
Increase in trade payables	805	86
Increase in customer deposits	3,780	937
Increase in other taxes payable	1,384	333
Increase in accrued charges and other payables	89	1,981
Net cash inflow from operating activities	37,008	20,285

Superdata Software

Notes to the Accounts

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22. Notes to the consolidated cash flow statements (Continued)

(b) Analysis of changes in financing

	Dividend payable	Share capital including premium and share issuance costs	Amount due to a related company	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2003	—	(3,235)	8,464	5,229
Cash inflow/(outflow)	—	23,883	(8,464)	15,419
Share swap in connection with a reorganisation	—	106	—	106
At 31 December 2003	—	20,754	—	20,754
At 1 January 2004	—	20,754	—	20,754
Cash (outflow)/inflow	(11,166)	302	—	(10,864)
Dividends declared	11,166	—	—	11,166
At 31 December 2004	—	21,056	—	21,056

23. Commitments under operating leases

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

	Group	
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,542	1,608
In the second to fifth years inclusive	516	766
	2,058	2,374

24. Approval of accounts

The accounts were approved by the board of directors on 21 March 2005.

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FINANCIAL SUMMARY

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

RESULTS

	Year ended 31 December		
	2004	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	58,731	39,502	29,606
Profit attributable to shareholders	32,436	15,598	11,510

ASSETS AND LIABILITIES

	As at 31 December		
	2004	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	4,391	5,096	3,219
Current assets	100,313	71,831	37,163
Current liabilities	(13,886)	(7,671)	(12,798)
Net current assets	86,427	64,160	24,365
Shareholders' funds	90,818	69,256	27,584

Notes:

1. The results of the Group for the year ended 2002 presented above have been extracted from the Company's Prospectus dated 28 May 2003 when the listing of the Company's share was sought on GEM of the Stock Exchange.
2. The results of the Group for the years ended 31 December 2003 and 2004 were extracted from the consolidated profit and loss account as set out on page 32 of the accounts.
3. The accounts of the Group, which is presented for information only, has been prepared on the basis that the structure and business activities of the Group Reorganisation had been in existence throughout the two years ended 31 December 2003.