



SUPERDATA SOFTWARE HOLDINGS LIMITED

(速達軟件控股有限公司)*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8263)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005

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

* For identification purposes only

HIGHLIGHTS

- **Turnover of the Group amounted to approximately RMB37.0 million for the six months ended 30 June 2005, representing an increase of approximately 31% as compared to approximately RMB28.3 million for the corresponding period in the previous financial year.**
- **Net profit of the Group amounted to approximately RMB20.5 million for the six months ended 30 June 2005, representing an increase of approximately 29% as compared to approximately RMB15.9 million for the corresponding period in the previous financial year.**
- **Earnings per share of the Group was approximately RMB5.1 cents for the six months ended 30 June 2005.**
- **The financial position of the Group remains healthy. As at 30 June 2005, the Group had cash and bank balances of approximately RMB109.3 million and had no bank borrowings.**
- **The Board recommends the payment of an interim dividend of RMB4.2 cents (4.0 HK cents) for the six months ended 30 June 2005.**

INTERIM RESULTS

The board of Directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 June 2005, together with the unaudited comparative figures for the corresponding period in 2004 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

Six months ended 30 June 2005

| | <i>Notes</i> | Three months ended 30 June | | Six months ended 30 June | |
|-------------------------------------------------|--------------|-------------------------------|------------------------|-----------------------------|------------------------|
| | | 2005 <i>RMB'000</i> | 2004 <i>RMB'000</i> | 2005 <i>RMB'000</i> | 2004 <i>RMB'000</i> |
| Turnover | 2 | 22,313 | 18,268 | 36,977 | 28,309 |
| Cost of computer software | | (675) | (589) | (1,094) | (1,006) |
| Value-added tax refund | | 3,070 | 2,358 | 5,166 | 3,687 |
| Other revenues | 2 | 1,164 | 240 | 1,843 | 425 |
| Staff costs | | (5,181) | (3,948) | (9,473) | (7,291) |
| Depreciation | | (391) | (300) | (772) | (632) |
| Royalty charges | | (732) | (518) | (1,070) | (764) |
| Advertising and promotional expenses | | (1,926) | (1,041) | (3,219) | (2,488) |
| Other operating expenses | | (4,046) | (2,208) | (6,742) | (4,377) |
| Profit before taxation | 4 | 13,596 | 12,262 | 21,616 | 15,863 |
| Taxation | 5 | (945) | — | (1,113) | — |
| Profit attributable to shareholders | | 12,651 | 12,262 | 20,503 | 15,863 |
| Basic earnings per share (<i>RMB cents</i>) | 6 | 3.14 | 3.07 | 5.09 | 3.97 |
| Diluted earnings per share (<i>RMB cents</i>) | 6 | 2.86 | 2.93 | 4.64 | 3.80 |

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2005

| | | 30 June 2005 | 31 December 2004 |
|----------------------------------------------|--------------|--------------------------------------|------------------------------------|
| | <i>Notes</i> | <i>RMB'000</i> <i>(Unaudited)</i> | <i>RMB'000</i> <i>(Audited)</i> |
| Non-current assets | | | |
| Fixed assets | 8 | 4,416 | 3,323 |
| Intangible assets | 9 | 733 | 1,068 |
| | | <u>5,149</u> | <u>4,391</u> |
| Current assets | | | |
| Inventories | 10 | 1,823 | 1,540 |
| Trade receivables | 11 | 4,535 | 2,904 |
| Prepayments and other receivables | | 5,410 | 3,543 |
| Fixed deposits | | 71,763 | 70,543 |
| Cash and bank balances | | 37,576 | 21,783 |
| | | <u>121,107</u> | <u>100,313</u> |
| Current liabilities | | | |
| Trade payables | 12 | (1,237) | (1,301) |
| Customer deposits | | (4,690) | (6,025) |
| Accrued charges and other payables | | (5,232) | (4,116) |
| Tax payable | | (945) | (157) |
| Other taxes payable | | (2,782) | (2,287) |
| Dividends payable | | (20,142) | — |
| | | <u>(35,028)</u> | <u>(13,886)</u> |
| Net current assets | | <u>86,079</u> | <u>86,427</u> |
| Total assets less current liabilities | | <u>91,228</u> | <u>90,818</u> |
| Financed by: | | | |
| Share capital | 13 | 4,288 | 4,286 |
| Reserves | | 86,940 | 86,532 |
| Shareholders' funds | | <u>91,228</u> | <u>90,818</u> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)*Six months ended 30 June 2005*

| | Six months ended 30 June | |
|-------------------------------------------------------------|-------------------------------------|-----------------------|
| | 2005 | 2004 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Net cash inflow from operating activities | 18,771 | 13,601 |
| Net cash outflow from investing activities | (3,010) | (662) |
| Net cash inflow/(outflow) from financing activities | 32 | (22,482) |
| Net increase/(decrease) in cash and cash equivalents | 15,793 | (9,543) |
| Cash and cash equivalents, beginning of the period | 21,783 | 26,891 |
| Cash and cash equivalents, end of the period | 37,576 | 17,348 |
| Analysis of balances of cash and cash equivalents: | | |
| Cash and bank balances | 37,576 | 17,348 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Six months ended 30 June 2005

| | Share capital RMB'000 | Share premium RMB'000 (Note (i)) | Merger reserve RMB'000 (Note (ii)) | Exchange reserve RMB'000 | Statutory reserve fund RMB'000 (Note (iii)) | Retained profits RMB'000 | Total RMB'000 |
|-------------------------------------------------|-----------------------------|-------------------------------------------|---------------------------------------------|--------------------------------|---------------------------------------------------------|--------------------------------|------------------|
| At 1 January 2005 (Audited) | 4,286 | 16,770 | 44,685 | 19 | 1,244 | 23,814 | 90,818 |
| Profit for the six months ended 30 June 2005 | — | — | — | — | — | 20,503 | 20,503 |
| Exercise of options | 2 | 30 | — | — | — | — | 32 |
| Appropriation to statutory reserve fund | — | — | — | — | 3,514 | (3,514) | — |
| Currency translation differences | — | — | — | 17 | — | — | 17 |
| Dividends for 2004 | — | — | — | — | — | (20,142) | (20,142) |
| At 30 June 2005 (Unaudited) | <u>4,288</u> | <u>16,800</u> | <u>44,685</u> | <u>36</u> | <u>4,758</u> | <u>20,661</u> | <u>91,228</u> |
| At 1 January 2004 (Audited) | 4,256 | 16,498 | 44,685 | 29 | 625 | 3,163 | 69,256 |
| Profit for the six months ended 30 June 2004 | — | — | — | — | — | 15,863 | 15,863 |
| Dividends for 2003 | — | — | — | — | — | (3,000) | (3,000) |
| At 30 June 2004 (Unaudited) | <u>4,256</u> | <u>16,498</u> | <u>44,685</u> | <u>29</u> | <u>625</u> | <u>16,026</u> | <u>82,119</u> |

- (i) Under the Companies Law of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that, immediately following the date on which the distribution or dividend is proposed to be made, the Company shall be able to pay off its debts as they fall due in the ordinary course of business.
- (ii) Merger reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of the subsidiaries acquired by the Company through exchange of shares.
- (iii) In accordance with the relevant laws and regulations of the PRC, the Group's subsidiaries established in the PRC are required to appropriate a minimum of 10% of the net profit after taxation reported in the statutory accounts to the statutory reserve, namely the statutory reserve fund until the balance of such fund has reached 50% of its registered capital. The amount of allocation is determined by the board of the subsidiaries annually. This reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1. Basis of preparation and accounting policies

- (a) The Company was incorporated in the Cayman Islands on 3 July 2002 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.
- (b) The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (“the GEM Listing Rules”).

The principal accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of the new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively, the “new HKFRS”) which are effective for accounting periods commencing on or after 1 January 2005.

The adoption of HKFRS 2 has resulted in a change in accounting policy for employee share options. Prior to this, the provision of share options to employees did not result in a charge to the income statement. Following the adoption of HKFRS 2, the fair value of share options at grant date is amortised over the relevant vesting periods to the income statement. HKFRS 2 has been applied retrospectively for all equity instruments granted to employees and directors after 15 April 2002 and not vested at 1 January 2005.

The adoption of the HKFRS 2 has no material effect on the results for current nor prior accounting periods. Accordingly, no prior year adjustment is required.

2. Turnover and revenue

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

| | <i>Note</i> | Three months ended 30 June | | Six months ended 30 June | |
|----------------------------|-------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | | 2005 <i>RMB’000</i> (Unaudited) | 2004 <i>RMB’000</i> (Unaudited) | 2005 <i>RMB’000</i> (Unaudited) | 2004 <i>RMB’000</i> (Unaudited) |
| Turnover (<i>Note</i>) | | | | | |
| Sales of packaged software | | 22,313 | 18,268 | 36,977 | 28,309 |
| Other revenues | | | | | |
| Interest income | | 349 | 240 | 375 | 425 |
| Royalty income | | 815 | — | 1,468 | — |
| | | 1,164 | 240 | 1,843 | 425 |
| Total revenues | | 23,477 | 18,508 | 38,820 | 28,734 |

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

3. Segment Information

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

4. Profit before taxation

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

| | Three months ended 30 June | | Six months ended 30 June | |
|--------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2005 RMB'000 (Unaudited) | 2004 RMB'000 (Unaudited) | 2005 RMB'000 (Unaudited) | 2004 RMB'000 (Unaudited) |
| Crediting: | | | | |
| Other operating income | | | | |
| — VAT refund (<i>Note (i)</i>) | 3,070 | 2,358 | 5,166 | 3,687 |
| Charging: | | | | |
| Operating leases rentals | 985 | 402 | 1,805 | 916 |
| Bad debts written off | — | 13 | — | 13 |
| Provision for doubtful debts | 134 | — | 134 | 119 |
| Research and development costs (<i>Note (ii)</i>) | 1,156 | 632 | 2,611 | 1,904 |

Notes:

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

5. Taxation

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong during the period.

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

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

Superdata (Guangzhou) is registered in Guangzhou Economic Technology Development District. 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 period ended 30 June 2005, no PRC profits tax has been provided as Glory (Shanghai) had no assessable profit for the period.

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

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

| | Three months ended 30 June | | Six months ended 30 June | |
|-------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|
| | 2005 <i>RMB'000</i> <i>(Unaudited)</i> | 2004 <i>RMB'000</i> <i>(Unaudited)</i> | 2005 <i>RMB'000</i> <i>(Unaudited)</i> | 2004 <i>RMB'000</i> <i>(Unaudited)</i> |
| Current taxation: | | | | |
| — PRC EIT | 945 | — | 1,113 | — |
| Taxation charges | <u>945</u> | <u>—</u> | <u>1,113</u> | <u>—</u> |

No deferred tax assets or liabilities are recognised as the Group did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as at 30 June 2005 and 2004.

6. Earnings per share

The calculation of basic earnings per share is based on the Group’s unaudited profits attributable to shareholders for the three months and six months ended 30 June 2005 of approximately RMB12,651,000 and RMB20,503,000 respectively (three months and six months ended 30 June 2004: approximately RMB12,262,000 and RMB15,863,000 respectively) and the weighted average number of approximately 403,024,000 and 403,015,000 ordinary shares for the three months and six months ended 30 June 2005 (three months and six months ended 30 June 2004: approximately 400,000,000 ordinary shares) in issue during the periods.

The calculation of diluted earnings per share for the three months and six months ended 30 June 2005 is based on the Group’s unaudited profit attributable to shareholders of approximately RMB12,651,000 and RMB20,503,000 respectively (three months and six months ended 30 June 2004: approximately RMB12,262,000 and RMB15,863,000 respectively) and the diluted weighted average number of approximately 441,874,000 shares and 441,690,000 shares, respectively in issue during the periods (three months and six months ended 30 June 2004: approximately 418,369,551 and 418,595,804 ordinary shares). They have been calculated after taking into account all dilutive instruments outstanding as at 30 June 2005. The effect of the

potential dilutive ordinary shares resulting from the exercise of the outstanding share options on the weighted average number of shares in issue during the three months and six months ended 30 June 2005 are approximately 38,850,000 shares and 38,675,000 shares, respectively (three months and six months ended 30 June 2004: approximately 18,369,551 and 18,595,804 shares respectively) which are deemed to have been issued at no consideration and have been exercised on the date the options were granted.

7. Dividend

| | Three months ended 30 June | | Six months ended 30 June | |
|------------------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|
| | 2005 <i>RMB'000</i> <i>(Unaudited)</i> | 2004 <i>RMB'000</i> <i>(Unaudited)</i> | 2005 <i>RMB'000</i> <i>(Unaudited)</i> | 2004 <i>RMB'000</i> <i>(Unaudited)</i> |
| Interim, proposed, RMB4.2 cents (4.0 HK cents) (2004: RMB2.0 cents (1.9 HK cents)) | <u>17,000</u> | <u>8,000</u> | <u>17,000</u> | <u>8,000</u> |

Notes:

- (a) At a meeting held on 21 March 2005, the Directors proposed a final dividend of RMB5 cents (4.7 HK cents) per share for the year ended 31 December 2004, which has been reflected as an appropriation of retained earnings for the six months ended 30 June 2005.
- (b) At another meeting held on 12 August 2005, the Directors proposed an interim dividend of RMB4.2 cents (4.0 HK cents) per share for the six months ended 30 June 2005 (2004: RMB0.2 cents (1.9 HK cents) per share) whose names appear on the register of members of the Company on 1 September 2005. The dividend will be payable on 30 September 2005.

The register of members of the Company will be closed from 30 August 2005 to 1 September 2005 both days inclusive, during which period the transfer of shares will not be effected. In order to be qualified for the interim dividend, all share transfers accompanied with relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Hopewell Centre, 46th Floor, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 29 August 2005.

This proposed interim dividend is not reflected as a dividend payable in these condensed consolidated accounts of the Group, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2005.

10. Inventories

| | 30 June 2005 RMB'000 (Unaudited) | 31 December 2004 RMB'000 (Audited) |
|----------------|-----------------------------------------------------|---------------------------------------------|
| Raw materials | 1,144 | 1,088 |
| Finished goods | 679 | 452 |
| | <u>1,823</u> | <u>1,540</u> |

None of the inventories included above are carried at net realizable values as at 30 June 2005 (2004: Nil).

11. Trade receivables

The Group's credit period granted to customers ranges from 30 to 60 days. As at 30 June 2005, the ageing analysis of trade receivables is as follows:

| | 30 June 2005 RMB'000 (Unaudited) | 31 December 2004 RMB'000 (Audited) |
|-------------------------------------------|-----------------------------------------------------|---------------------------------------------|
| Current to 30 days | 3,429 | 2,103 |
| 31 days to 60 days | 493 | 368 |
| 61 days to 90 days | 279 | 146 |
| 91 days to 180 days | 312 | 274 |
| 181 days to 360 days | 169 | 118 |
| > 360 days | 220 | 128 |
| | <u>4,902</u> | 3,137 |
| <i>Less: Provision for doubtful debts</i> | <u>(367)</u> | <u>(233)</u> |
| | <u>4,535</u> | <u>2,904</u> |

12. Trade payables

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

13. Share capital

| | Number of ordinary shares of HK\$0.01 each | Nominal value of ordinary shares HK\$ | Equivalent nominal value of ordinary shares RMB |
|---------------------------------------------------------------------------------|-----------------------------------------------------|---------------------------------------------------|----------------------------------------------------------------|
| Authorised: | | | |
| At 30 June 2005 (<i>Unaudited</i>) and 31 December 2004 (<i>Audited</i>) | <u>1,000,000,000</u> | <u>10,000,000.00</u> | <u>10,640,000.00</u> |
| Issued: | | | |
| At 1 January 2005 (<i>Audited</i>) | 402,837,043 | 4,028,370.43 | 4,286,185.72 |
| Shares issued upon exercise of share options | <u>186,967</u> | <u>1,869.67</u> | <u>1,989.33</u> |
| At 30 June 2005 (<i>Unaudited</i>) | <u>403,024,010</u> | <u>4,030,240.10</u> | <u>4,288,175.05</u> |

14. Commitments

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

| | 30 June 2005 RMB'000 (Unaudited) | 31 December 2004 RMB'000 (Audited) |
|----------------------------------------|-----------------------------------------------------|---------------------------------------------|
| Within one year | 1,032 | 1,542 |
| In the second to fifth years inclusive | 3,236 | 516 |
| | <u>4,268</u> | <u>2,058</u> |

FINANCIAL REVIEW

During the six months ended 30 June 2005, the Group recorded a turnover of approximately RMB37.0 million, representing a growth of approximately 31% over the corresponding previous period in 2004. This was mainly attributable to the continued momentum of the new products, including E.net and SD3000.net, launched during the last period. In addition, the Group has successfully launched several promotional campaigns in the current period with satisfactory results.

Staff costs, advertising and promotional expenses continue to be the major operating costs of the Group, representing approximately 59.7% of total operating cost for this interim period. The Group recorded staff costs of approximately RMB9.5 million for the period as compared to approximately RMB7.3 million for the same period in 2004. The advertising and promotional expenses were slightly increased from approximately RMB2.5 million to approximately RMB3.2 million in order to accomplish the promotion campaigns of the new products and enhance the brand image.

During this interim period, the Group achieved net profit of approximately RMB20.5 million, representing an increase of approximately 29% as compared to approximately RMB15.9 million for the corresponding period in the previous financial year.

BUSINESS REVIEW

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

The remarkable growth of PRC economy, largely contributed from the rapid development of private enterprises and SMEs, raised an enormous demand for the high quality SME management software which can provide advanced functionalities to integrate the system into the daily corporate operation. The Group has taken its leading position in research and development of innovative management software with the vision to provide practical and inexpensive solutions to the market.

During the six months, the Group has deployed substantial resources in developing and further expanding our distribution networks. The number of sales offices of the Group has also been increasing from 18 to 36 in order to enhance growth of our distribution networks and provide technical support and updates to our distributors. The effect of both the increases in our distribution partners and the sales representative offices ensured that we will have a more dependable and reliable channels for the release of our future new products.

The Group launched a series of products including E.net and 3000.net which introduced the new features of office administration and enhanced features of customer relationship management to its management software series in the first quarter. The introduction of these new products broadened our customer bases to a group of new users who seek for a more advanced management system with multiple access and networking capacities. Continuing the success of these new products, at the end of the second quarter, the Group launched the Enterprise Relationship Management (“ERM”) with a hope to bring a new servicing business platform to those SME(s) to promote their business efficiently.

PRODUCT LAUNCH

The Group has launched a new series management software namely Enterprise Relationship Management (“ERM”) in this quarter. The introduction of this software is aimed at assisting SME(s) to strengthen their connections with suppliers and customers as well as communication inside the corporation through the adoption of its ERM platform. This platform provides various innovative functions including instant messenger, direct online ordering and sales platforms with a powerful message administration system. The fully equipped platform provides quick and easy way for the users to develop their sourcing and distribution networks and enhance their communication with their business partners.

PROSPECTS

Strong commitment to innovate and deliver superior products to the Group’s customers is the cornerstone of its success. The Group will continue to pursue active developments in its core business in the long run. In doing so, the Group will continue the strategic alliance with Intuit, which brings in strategic synergy to the brand image of the Group’s products in the PRC. To further enhance product publicities, the Group will also collaborate closely with its distribution partners to formulate effective marketing and promotional strategies and campaigns, as well as trade shows, in the PRC.

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 order to create value with its valuable business partners and shareholders in future.

SIGNIFICANT INVESTMENTS

As at 30 June 2005, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS/FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group had no material acquisitions or disposals during the six months ended 30 June 2005. The Group had no plans for material investments or capital assets other than those set out in the Company’s prospectus dated 28 May 2003 (the “Prospectus”).

CAPITAL STRUCTURE

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

GEARING RATIO

As at 30 June 2005, the Group did not have any long-term debts, while its shareholders’ funds amounted to approximately RMB91.2 million. In this regard, the Group holds a net cash position with a gearing ratio of zero (net debt to shareholder’s funds) as at 30 June 2005.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2005, the Group had fixed deposits and cash and bank balances of approximately RMB109.3 million, and net current assets of approximately RMB86.1 million. The Group had been maintaining a strong working capital position during the period under review. As at 30 June 2005, the Group had current liabilities of approximately RMB35.0 million and no long-term liabilities.

The Group generally finances its operations and any possible expansion plans with its internally generated cash flows, and the balance of proceeds from the Company's IPO. The Group's operating cash inflow during the period under review amounted to approximately RMB18.8 million.

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

FOREIGN EXCHANGE EXPOSURE

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

TREASURY POLICIES

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

CHARGES ON ASSETS OF THE GROUP

As at 30 June 2005, the Group did not have any charges on its assets.

CONTINGENT LIABILITIES

The Directors are not aware of any material contingent liabilities as at 30 June 2005.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2005, the Group had 497 employees including the executive Directors. Total staff costs including Directors' remuneration for the six months ended 30 June 2005 amounted to approximately RMB9.5 million. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary of the actual progress of the Group compared with the business objectives set out in the Prospectus for the period from the listing date to 30 June 2005:

| Business objectives as stated in the Prospectus | Actual business progress from the listing date to 30 June 2005 |
|------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Sales and distribution | |
| Expand the number of authorised business partners/retailers in order to enhance the sales and distribution network of the Group | Total number of authorized retailers comprising ABPs and PSPs has further increased during the period |
| 2. Marketing | |
| Continue to advertise and promote the Group's various products via media and by attending or organising conferences and seminars | Such marketing activities are on-going, e.g. several small scale seminars have been held in Guangzhou in June 2005 |
| 3. Product development | |
| Continue to upgrade the existing business management software | Upgrading is on-going. The newly upgraded products have been improved in the aspects of execution efficiency and functionality |
| Commence the R&D of the tax and personal financial software | The product launch schedule has been postponed because the Group deployed more resources on the development of Internet related software |
| Continue to upgrade the existing R&D facilities and other equipment | Upgrading is on-going |
| 4. Technical support services | |
| Continue to train members of the Group's authorized retailers and technical support servicing staff regarding the Group's products | Training is on-going |
| Help more authorized retailers to build up service centres for the Group's various products | Development activities have slowed down in response to the slow demand for the services centres from authorised retailers |

| | |
|--------------------------------------------------------|-----------------------------------------------------------------------|
| Business objectives as stated in the Prospectus | Actual business progress from the listing date to 30 June 2005 |
|--------------------------------------------------------|-----------------------------------------------------------------------|

5. Human resources

| | |
|-----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Employ additional 6 R&D staff, 3 sales and marketing staff and 2 general administration staff | More staff than stated was employed to cope with the expansion of the Group's business |
| Employ 3 additional technical servicing staff | More staff than stated was employed to cope with the expansion of the Group's business |
| Provide training and short-term course to technical personnel | Training has continuously been provided to technical personnel |

USE OF PROCEEDS

The Group raised net proceeds of approximately HK\$20.8 million upon listing of the Company's shares on GEM of the Stock Exchange on 6 June 2003, the Group had used part of the proceeds from the listing to achieve the business objectives as stated above and substantially in the manner as set out in the Prospectus. The proceeds have been applied as follows:

| | According to the use of the proceeds as stated in the prospectus HK\$'million | Amount utilized up to 30 June 2005 HK\$'million |
|--------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| Continue to develop new business management software | 1.9 | 1.9 |
| Enhance support services and expand distribution network and product range in order to maintain dominant market position | 1.0 | 1.0 |
| Enhance R&D capability | 0.5 | 0.4 |
| Enhance the brand image and reputation of "QuickBooks" | 0.8 | 0.8 |
| | 4.2 | 4.1 |

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 the each option holder 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.

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

| | Number of share options | | | | |
|----------------------------------------------------------------------------|------------------------------|----------------------------------------------------|--------------------------------|----------------------------|--------------------------------|
| | Held at 1 January 2005 | Exercised during the period <i>(Note)</i> | Lapsed During the period | Held at 30 June 2005 | Exercise price per share |
| Directors | | | | | |
| Mr. Cen Anbin | 4,539,271 | — | — | 4,539,271 | HK\$0.10 |
| Mr. Zou Qixiong | 4,539,271 | — | — | 4,539,271 | HK\$0.10 |
| Mr. Lin Gang | 2,269,636 | — | — | 2,269,636 | HK\$0.10 |
| Mr. Zhou Quan and Mr. Cen Anbin (held in the capacity as trustee) | 3,819,486 | (101,687) | (1,423,627) | 2,294,172 | HK\$0.10 |

| | Number of share options | | | | Exercise price per share |
|----------------------------------------------------------------------------|------------------------------|---------------------------------------------|--------------------------------|----------------------------|--------------------------|
| | Held at 1 January 2005 | Exercised during the period (Note) | Lapsed During the period | Held at 30 June 2005 | |
| Mr. Zhou Quan and Mr. Cen Anbin (held in the capacity as trustee) | 6,137,506 | (85,280) | (344,937) | 5,707,289 | HK\$0.26 |
| | 21,305,170 | (186,967) | (1,768,564) | 19,349,639 | |
| Employees | | | | | |
| In aggregate | 248,018 | — | — | 248,018 | HK\$0.10 |
| In aggregate | 2,384,793 | — | — | 2,384,793 | HK\$0.26 |
| | <u>2,632,811</u> | <u>—</u> | <u>—</u> | <u>2,632,811</u> | |
| Total | <u>23,937,981</u> | <u>(186,967)</u> | <u>(1,768,564)</u> | <u>21,982,450</u> | |

Note: Exercise date was 10 January 2005. At the date before the options were exercised, the market price per share was HK\$1.6.

Share Option Scheme

On 19 May 2003, a further share option scheme (the “Share Option Scheme”) was approved pursuant to a written resolution of the Company. The purpose of the Share Option Scheme is to provide incentives or rewards for the eligible person to the Group and to enable the Group to recruit and/or to retain high-calibre employees and attract human resources that are valuable to the Group. The Board from time to time or a duly authorized committee thereof delegated with the powers of the Directors to administer the Share Option Scheme may, at its discretion, grant options to any executive or non-executive Director, consultant, agent, adviser, employee of the Group and any discretionary trust whose discretionary objects are executive or non-executive Director, consultant, agent, adviser or employee of the Group.

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

| | Held at 1 January 2005 | Number of share options Exercised during the period (Note) | Held at 30 June 2005 | Exercise price per share |
|------------------|---------------------------------------|-----------------------------------------------------------------------------------|-------------------------------------|-----------------------------------------|
| Directors | | | | |
| Mr. Cen Anbin | 10,000,000 | — | 10,000,000 | HK\$0.70 |
| Mr. Zou Qixiong | 10,000,000 | — | 10,000,000 | HK\$0.70 |
| Mr. Lin Gang | 4,000,000 | — | 4,000,000 | HK\$0.70 |
| Employees | | | | |
| In aggregate | <u>6,000,000</u> | <u>—</u> | <u>6,000,000</u> | HK\$0.70 |
| Total | <u><u>30,000,000</u></u> | <u><u>—</u></u> | <u><u>30,000,000</u></u> | |

Details of the share options are as follows:

- (i) Options were granted under the Share Option Scheme pursuant to the board resolution passed on 2 March 2004.
- (ii) The closing price of the share of HK\$0.01 each of the Company quoted on the GEM on 22 March 2004 was HK\$0.54.
- (iii) The options are exercisable from 22 March 2004 to 21 March 2014 (both days inclusive) subject to the following vesting period;

Directors

- (i) up to one-third of the options commencing from 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 from 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 from 1 April 2009.

Employees

- (i) up to one-third of the options commencing from 1 April 2005;
- (ii) up to two-third of the options (including the options not exercised under the limit prescribed for in the previous period) commencing from 1 April 2006; and
- (iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) commencing from 1 April 2007.

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

As at 30 June 2005, 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 | 24,585,308 | Corporate (<i>Note 1</i>) | 6.10 |
| | 2,154,817 | 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 |

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 30 June 2005 | 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 |
| | 7,381,414 options granted under the Pre-IPO Share Option Scheme | 7,381,414 | Other (Note 7) | 1.83 |
| | 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 |
| Mr. Lin Gang | 2,269,636 options granted under the Pre-IPO Share Option Scheme | 2,269,636 | Personal (Note 6) | 0.56 |
| | 4,000,000 options granted under the Share Option Scheme | 4,000,000 | Personal (Note 8) | 0.99 |
| Mr. Zhou Quan | 7,381,414 options granted under the Pre-IPO Share Option Scheme | 7,381,414 | Other (Note 7) | 1.83 |

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. Detailed movement of the relevant options are shown under the section headed “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. Detailed movement of the relevant options are shown under the section headed “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 2,269,636 shares. Detailed movement of the relevant options are shown under the section headed “Share Options” above.

7. On 19 May 2003, a discretionary trust was established for the benefit of the holders of options in the Company granted under the Pre-IPO Share Option Scheme and options to be granted under the Share Option Scheme who are PRC nationals (other than the directors). (Under this trust arrangement, Mr. Cen Anbin and Mr. Zhou Quan (together the “Trustee”) acting as joint trustees shall hold such options as trustee and nominee for these option holders.) On the written direction of an option holder, the Trustee shall exercise the options attributable to that option holder and on receipt of the underlying shares resulting from the exercise of the option, the Trustee shall sell those underlying shares at the then market price of the shares on 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 7,381,414 options granted under the Pre-IPO Share Option Scheme which, when exercised in full, will result in a total of 7,381,414 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. Refer details under Share Options above.
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, namely Mr. Cen Anbin, Mr. Zou Qixiong and Mr. Lin Gang respectively. Details of such share options are set out in the paragraph headed “Share Options Scheme” above.

Save as disclosed above, as at 30 June 2005, 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 and 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 six months ended 30 June 2005, 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 30 June 2005, the following persons (other than directors or chief executives of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long position in shares

| Name of shareholders | Nature of interests | No. of shares | Approximate percentage of interest (%) |
|---------------------------------------------------|-----------------------------|---------------|----------------------------------------|
| IDG Technology Venture Investment, Inc. ("IDGVC") | Corporate (<i>Note a</i>) | 85,988,578 | 21.34 |
| International Data Group, Inc. ("IDG") | Corporate (<i>Note a</i>) | 85,988,578 | 21.34 |
| Mr. Patrick McGovern | Corporate (<i>Note a</i>) | 85,988,578 | 21.34 |
| GDH 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 |

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 will be deemed to be interested in 85,988,578 shares.

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

Save as disclosed above, as at 30 June 2005, 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 30 June 2005, the following persons (other than directors or chief executives of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required 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 30 June 2005, there was no person who had an interest or short position in the shares and underlying shares of the Company as recorded in the register maintained under Section 336 of the SFO.

COMPETING INTERESTS

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

Save as disclosed above, as at 30 June 2005, none of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

SPONSOR'S INTERESTS

Pursuant to the sponsor agreement dated 28 May 2003 entered into between the Company and First Shanghai Capital Limited ("First Shanghai"), First Shanghai is entitled to receive a fee for acting as the Company's sponsor for the purpose of Chapter 6 of the GEM Listing Rules for the remaining period up 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 30 June 2005.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules for the six months ended 30 June 2005, except that the Board is still in the progress of forming the remuneration committee and drafting its terms of reference.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2005, the Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

AUDIT COMMITTEE

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Company the internal controls and financial reporting matters including a review of the unaudited interim results announcement and the related documents for the six months ended 30 June 2005.

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

During the six months ended 30 June 2005, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of its listed securities.

By order of the Board
Cen Anbin
Chairman

Hong Kong, 12 August 2005

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

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