



新意科技(控股)有限公司*
Shine Science & Technology (Holdings) Limited
(incorporated in the Cayman Islands with limited liability)

Third Quarterly Report 2003

* for identification purpose only

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the 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 at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

The Exchange 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.

This report, for which the directors of Shine Science & Technology (Holdings) Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Exchange for the purpose of giving information with regard to Shine Science & Technology (Holdings) Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Successful listing of the shares of the Company on GEM on 12 August 2003.
- Turnover of the Group for the quarter ended 30 September 2003 was approximately RMB5,951,000, representing an increase of approximately 10% as compared with the corresponding period in the previous fiscal year.
- The Group realised a profit attributable to shareholders of approximately RMB667,000 for the quarter ended 30 September 2003.
- Earnings per share of the Group was approximately RMB0.16 cents for the quarter ended 30 September 2003.
- The Board does not recommend the payment of any dividend for the quarter ended 30 September 2003.

UNAUDITED RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2003

The board of directors (the “Board”) of Shine Science & Technology (Holdings) Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the quarter and nine months ended 30 September 2003 (the “Period”), together with the unaudited comparative figures for the corresponding periods in 2002, respectively as follows:–

	<i>Notes</i>	Quarter ended 30 September		Nine months ended 30 September	
		2003	2002	2003	2002
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	3	5,951	5,404	15,482	18,539
Cost of sales		(2,986)	(1,992)	(7,176)	(5,441)
Gross profit		2,965	3,412	8,306	13,098
Other revenue	3	561	298	1,439	1,851
Other net income		(33)	2	(7)	72
Distribution costs		(467)	104	(1,786)	(1,533)
Administrative expenses		(2,428)	(1,881)	(5,804)	(4,743)
		598	1,935	2,148	8,745
Net interest income/(expense)		69	(59)	69	137
Profit from ordinary activities before tax		667	1,876	2,217	8,882
Taxation	4	(31)	129	(40)	(201)
Profit from ordinary activities after taxation		636	2,005	2,177	8,681
Minority interests		31	51	135	(252)
Net profits attributable to shareholders		667	2,056	2,312	8,429
Dividends	5	–	4,000	–	4,000
Earnings per share – basic (RMB – cents)	6	0.16	0.58	0.61	2.38

NOTES:

1. Group reorganization and basis of preparation

The Company was incorporated in Cayman Islands on 15 July 2002 as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. Pursuant to a group reorganization (the “Reorganization”) to rationalize the group structure in preparation for the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”), the Company became the holding company of the Group upon completion of the Reorganization on 28 July 2003 and, through a placement of 118,250,000 new shares (the “Placing”) of the Company, the Company’s shares were initially listed on GEM on 12 August 2003 (the “Listing”). Further details of the Reorganization are set out in the Company’s prospectus dated 4 August 2003 (the “Prospectus”). The Group resulting from the Reorganization, is regarded as a continuing entity for accounting purpose.

The unaudited consolidated results of the Group include the results of the Company and its subsidiaries and have been prepared using the merger basis of accounting as a result of the Reorganization. On this basis, the Company had been treated as the holding company of its subsidiaries since their respective dates of incorporation. Accordingly, the unaudited consolidated results of the Group for the quarter and nine months ended 30 September 2003 and the corresponding periods in 2002 included the results of the Company and its subsidiaries with effect from 1 January 2002 as if the current group structure has been in existence throughout the quarter and nine months ended 30 September 2003 and the corresponding periods in 2002.

All significant intercompany transactions and balances within the Group were eliminated on consolidation.

2. Principal accounting policies

The unaudited consolidated results of the Group have been prepared on historical cost convention and are, in all material aspects, in compliance with Statements of Standards Accounting Practice (the “SSAP”) issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”).

The principal accounting policies and methods of computation adopted for the preparation of the financial statements are consistent with those adopted by the Group in the accountant’s report (as disclosed in Appendix I) of the Prospectus, except for the new adoption of SSAP No. 12 (Revised) “Accounting for Income Taxes” which has no significant impact on the unaudited consolidated results of the Group for the nine months ended 30 September 2003.

The Group principally operates in the People’s Republic of China (the “PRC”) with its business activities principally transacted in Renminbi (“RMB”), the results of the Group are therefore prepared in RMB.

3. Turnover and other revenue

The Company is an investment holding company and its subsidiaries established in the PRC are principally engaged in the development and distribution of securities related software and provision of related information technology services in the PRC.

Turnover represents the net invoiced value of goods supplied and services provided to the customers, which excludes value added and business taxes and is after deduction of any goods returns and trade discounted.

An analysis of the Group's unaudited turnover and other revenue is as follows:

	Quarter ended 30 September		Nine months ended 30 September	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Turnover				
Sales of software	3,078	3,175	8,918	14,421
Sales of hardware	1,397	1,948	3,780	2,854
Maintenance and other services fees	1,476	281	2,784	1,264
	<u>5,951</u>	<u>5,404</u>	<u>15,482</u>	<u>18,539</u>
Other revenue				
Value added tax refunds	561	298	1,439	1,831
Others	–	–	–	20
	<u>561</u>	<u>298</u>	<u>1,439</u>	<u>1,851</u>

4. Tax

(a) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not derived any income subject to Hong Kong profits tax during the Period.

(b) Overseas income tax

Taxes on incomes assessable elsewhere were provided for in accordance with the applicable tax legislations, rules and regulations prevailing in the territories in which the Group operates.

There was no significant unprovided deferred taxation for the Period.

5. Dividend

The Board does not recommend payment of any dividend for the quarter ended 30 September 2003 (quarter ended 30 September 2002: RMB4,000,000).

6. Earnings per share

The calculation of basic earnings per share for the quarter and nine-months ended 30 September 2003 was based on the unaudited net profits attributable to shareholders for the quarter and nine months ended 30 September 2003 of approximately RMB667,000 and RMB2,312,000 (quarter and nine months ended 30 September 2002: approximately RMB2,056,000 and RMB8,429,000) respectively and on the weighted average number of approximately 419,016,304 shares and 376,407,509 shares (quarter and nine month ended 30 September 2002: on the weighted average number of 354,750,000 shares and 354,750,000 shares respectively which were deemed to have been issued prior to the Placing but after adjusting the effect of the capitalization issue as mentioned in the Prospectus) respectively in issue.

No dilutive earnings per share was presented because there were no dilutive potential ordinary shares in existence during the quarter and nine months ended 30 September 2003 and 2002 respectively.

7. Movement of reserves

	Nine months ended 30 September						2002 Total RMB'000
	2003						
	Share Premium RMB'000	Merger Reserve RMB'000	General Reserve RMB'000	Common Welfare Reserve RMB'000	Retained Profit RMB'000	Total RMB'000	
As at 1 January	-	(2,340)	2,136	1,038	6,367	7,201	5,801
Issue of shares	51,185	-	-	-	-	51,185	-
Capitalisation of the share premium amount for new shares credited as fully paid	(3,736)	-	-	-	-	(3,736)	-
Listing expenses	(10,860)	-	-	-	-	(10,860)	-
Effect of the Reorganization	-	(11)	-	-	-	(11)	(2,340)
Net profit for the period	-	-	-	-	2,312	2,312	8,429
Dividend declared during the period	-	-	-	-	-	-	(7,000)
As at 30 September	<u>36,589</u>	<u>(2,351)</u>	<u>2,136</u>	<u>1,038</u>	<u>8,679</u>	<u>46,091</u>	<u>4,890</u>

FINANCIAL REVIEW

The Company's shares were successfully listed on the GEM on 12 August 2003, through a placement of 118,250,000 new shares, which signified a major milestone for the Group's corporate development. The net proceeds from the placement, after deducting for relevant expenses, was approximately HK\$25.3 million.

For the period under review, the Group financed its operations with its own working capital. As of 30 September 2003, the Group had net asset of approximately RMB51 million, including cash and bank balances of approximately RMB39.8 million. Taking into consideration the existing financial resources available to the Group, it is anticipated that the Group should have adequate financial resources to meet its existing ongoing operating and development commitments.

For the nine months ended 30 September 2003 (the "Period"), the Group strives proactively to maintain its competitiveness, product innovation and financial performance in an increasingly competitive domestic securities software market.

The Group recorded a consolidated turnover of approximately RMB15,482,000 for the Period, representing a decrease of 16.5% approximately as compared to the previous corresponding period. Principally resulting from the unexpected outbreak of Severe Acute Respiratory Symptom in China in the early 2003, the PRC stock market remained inactive which, rendered the domestic securities companies becoming increasingly conservative in information technology investments. Consequently, the sales and promotional activities of the Group's new products, such as Customer Relationship Management ("CRM") and Securities Investment Management System ("SIMS") solutions, had experienced considerable delay and postponement, the Group's sales, on a short-term basis, were also adversely affected accordingly. Notwithstanding the said decrease in turnover for the Period, the Group's quarterly revenue has increased considerably for the quarter ended 30 September 2003, indicating the Group has successfully recaptured its sales momentum from its strengthened marketing efforts. To date, a beta-test on the CRM is being implemented in a leading securities company with national presence and encouraging sales orders are close to be concluded for the SIMS, showing an optimistic prospect of sales of the Group's new products.

Resulting from a lower average pricing policy and a decrease in sales proportion of software products, overall gross profits for the Period decreased by approximately 17%.

BUSINESS OUTLOOK

During recent years, there are ongoing regulatory changes to the securities clearing systems in China in an attempt to keep in line with international practices. The Group therefore believes that prevailing clearing systems currently adopted by domestic securities clearing operators, securities companies and brokerage firms in China will be changed in the coming few years. Besides, the Group believes that, in the foreseeable future, the PRC domestic securities market will gradually revive from its prolonged years of recession and as participation of foreign-capital based securities companies in the PRC market increases, the intensifying market competition in the securities market will become more imminent. The securities companies in PRC are undergoing gradual reorganization and technological investments to cope with these challenges. The Group is therefore cautiously optimistic towards the long-term demands of investment management and other specialized solutions for the PRC domestic securities industry.

POSSIBLE CHANGE OF COMPANY NAME

As disclosed in the Company's announcement dated 11 August 2003, the Company is considering to adopt new company name(s) to better reflect its core business of and long-term commitment in software development for securities and financial sectors. Tentatively, the Group is planning to propose resolution in the Company's forthcoming annual general meeting for adopting new company names aforesaid.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES AND OPTIONS

As at 30 September 2003, the interests or short positions of the directors and the chief executive of the Company in the shares and underlying shares (the "Shares") of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, were as follows:

(a) The Company – interests in shares

Director	No. of Shares	Nature of Interest	Percentage of shareholding
Ms. Gu Yun (<i>Note 1</i>)	187,061,635	Interest of a controlled corporation	39.6%
Ms. Li Xiaoyuan (<i>Note 2</i>)	187,061,635	Interest of a controlled corporation	39.6%
Mr. Ye Jinxing (<i>Note 3</i>)	35,839,097	Interest of a controlled corporation	7.6%
Mr. Chen Yunrong (<i>Note 4</i>)	31,260,882	Interest of a controlled corporation	6.6%
Mr. Qiu Yixin (<i>Note 5</i>)	28,793,514	Interest of a controlled corporation	6.1%

Notes:

1. Ms. Gu Yun is a director of and the beneficial owner of 1,539 shares in Genesis Century Limited (“Genesis Century”), representing 15.39% of the issued share capital of Genesis Century. Ms. Gu is taken to be interested in the Shares owned by Genesis Century pursuant to Part XV of the SFO as Genesis Century is accustomed or obliged to act in accordance with the directions or instructions of Ms. Gu, together with Ms. Li Xiaoyuan.
2. Ms. Li Xiaoyuan is a director of and is the beneficial owner of 3,784 shares in Genesis Century, representing 37.84% of the issued share capital of Genesis Century. Ms. Li is taken to be interested in the Shares owned by Genesis Century pursuant to Part XV of the SFO as she is entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of Genesis Century.
3. These Shares are legally owned by Future Pursuit Ltd. (“Future Pursuit”), whose beneficial owners are Mr. Ye Jinxing and his mother, Ms. Lian Xiu, representing 39.79% and 60.21% interest in its issued share capital respectively. Mr. Ye is taken to be interested in the Shares owned by Future Pursuit pursuant to Part XV of the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of Future Pursuit.
4. These Shares are legally owned by Cheer Prosper Investments Limited (“Cheer Prosper”), the entire issued share capital of which is held by Mr. Chen Yunrong. He is taken to be interested in the Shares held by Cheer Prosper pursuant to Part XV of the SFO.
5. These Shares are legally owned by Easy Elegance Ltd. (“Easy Elegance”), the entire issued share capital of which is held by Mr. Qiu Yixin. He is taken to be interested in the Shares held by Cheer Prosper pursuant to Part XV of the SFO.

(b) Associated corporations – interests in shares

Director	Name of associated corporation	Nature of Interest	Percentage of interests in the registered capital of the associated corporation
Ms. Gu Yun (Note 2)	上海興意識管理諮詢有限公司 (“Shanghai Xingyishi”) (Note 1)	Family	8.0%
Mr. Qiu Yixin	Shanghai Xingyishi	Personal	4.0%
Mr. Chen Yunrong	Shanghai Xingyishi	Personal	4.0%
Mr. Ye Jinxing	Shanghai Xingyishi	Personal	4.0%
Mr. Jiang Yulai	Shanghai Xingyishi	Personal	4.0%
Mr. Chen Qun	Shanghai Xingyishi	Personal	4.0%

Notes:

1. Shanghai Xingyishi is a subsidiary of the Group (in which 60% of its equity shares are owned by the Group and the remaining interests are owned by others, including certain directors or their respective associates as disclosed above).
2. Mr. Xu Zhangxun holds 8% interest in the registered capital of Shanghai Xingyishi. Ms. Gu Yun, spouse of Mr. Xu Zhangxun, is deemed to be interested in Shanghai Xingyishi by virtue of Part XV of SFO.

Save as disclosed above and that disclosed under the section headed “Substantial Shareholders and Persons with Discloseable Interest and Short Position in Shares and Options under SFO”, as at 30 September 2003, none of the directors, chief executive of the Group or their respective associates had any interests or short positions in the Shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the minimum standard of dealings by directors of the Company as referred to in Rules 5.40 to 5.58 of the GEM Listing Rules. During the Period, there was no debt securities issued by the Group at any time.

SUBSTANTIAL SHAREHOLDERS AND PERSONS WITH DISCLOSEABLE INTEREST AND SHORT POSITION IN SHARES AND OPTIONS UNDER SFO

As at 30 September 2003, the following persons (other than a director or chief executive of the Company as disclosed above) had an interest or short position in the Shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions in Shares

Name	Number of Shares	Nature of Interest	Percentage of shareholding
Genesis Century	187,061,635	Corporate	39.6%
Future Pursuit	35,839,097	Corporate	7.6%
Cheer Prosper	31,260,882	Corporate	6.6%
Easy Elegance	28,793,514	Corporate	6.1%
Ms. Li Xiaoyuan (<i>Note 1</i>)	187,061,635	Interest of a controlled corporation	39.6%
Mr. Zhang Xiaohui (<i>Note 2</i>)	187,061,635	Family	39.6%
Ms. Gu Yun (<i>Note 3</i>)	187,061,635	Interest of a controlled corporation	39.6%
Mr. Xu Zhangxun (<i>Note 4</i>)	187,061,635	Family	39.6%
Ms. Lian Xiu (<i>Note 5</i>)	35,839,097	Interest of a controlled corporation	7.6%
Mr. Ye Jinxing (<i>Note 6</i>)	35,839,097	Interest of a controlled corporation	7.6%
Ms. Wang Chunling (<i>Note 7</i>)	35,839,097	Family	7.6%
Mr. Chen Yunrong (<i>Note 8</i>)	31,260,882	Interest of a controlled corporation	6.6%
Ms. Guo Lidan (<i>Note 9</i>)	31,260,882	Family	6.6%
Mr. Qiu Yixin (<i>Note 10</i>)	28,793,514	Interest of a controlled corporation	6.1%
Ms. Lin Wen (<i>Note 11</i>)	28,793,514	Family	6.1%

Notes:

1. Ms. Li Xiaoyuan is the beneficial owner of 3,784 shares in Genesis Century, representing 37.84% of the issued share capital of Genesis Century. Ms. Li is taken to be interested in the Shares owned by Genesis Century pursuant to Part XV of the SFO as she is entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of Genesis Century.
2. Mr. Zhang Xiaohui, spouse of Ms. Li Xiaoyuan, is deemed to be interested in these Shares pursuant to Part XV of the SFO.
3. Ms. Gu Yun is a director of and beneficial owner of 1,539 shares in Genesis Century. She is taken to be interested in the Shares owned by Genesis Century pursuant to Part XV of SFO as Genesis Century is accustomed or obliged to act in accordance with her directions.
4. Mr. Xu Zhangxun, spouse of Ms. Gu Yun, is deemed to be interested in these Shares pursuant to Part XV of the SFO.
5. Ms. Lian Xiu, mother of Mr. Ye Jinxing, is interested in 60.21% of the issued share capital of Future Pursuit. She is taken to be interested in the Shares owned by Future Pursuit pursuant to Part XV of the SFO as she is entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of Future Pursuit.
6. Mr. Ye Jinxing is interested in 39.79% of the issued share capital of Future Pursuit. He is taken to be interested in the Shares owned by Future Pursuit pursuant to Part XV of the SFO as he is entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of Future Pursuit.
7. Ms. Wang Chunling, spouse of Mr. Ye Jinxing, is deemed to be interested in these Shares pursuant to Part XV of the SFO.
8. These Shares are legally owned by Cheer Prosper, the entire issued share capital of which is held by Mr. Chen Yunrong.
9. Ms. Guo Lidan, spouse of Mr. Chen Yunrong, is deemed to be interested in these Shares pursuant to Part XV of the SFO.
10. These Shares are legally owned by Easy Elegance, the entire issued share capital of which is held by Mr. Qiu Yixin.
11. Ms. Lin Wen, spouse of Mr. Qiu Yixin, is deemed to be interested in these Shares pursuant to Part XV of the SFO.

Save as disclosed above, the Company had not been notified by any person (other than a director or chief executive of the Company) who had a discloseable interest or short position in the Shares of the Company as defined under the SFO and/or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

SHARE OPTION SCHEME

Pursuant to a written resolution passed by the then shareholders of the Company on 28 July 2003, the Company conditionally adopted the share option scheme, the principal terms of which are set out in the section headed “Share Option Scheme” on Appendix IV of the Prospectus.

Up to 30 September 2003, no option has been granted by the Company pursuant to such share option scheme.

SPONSOR’S INTEREST

Pursuant to a sponsor agreement dated 4 August 2003 entered into between the Company and South China Capital Limited (the “Sponsor”), the Sponsor has been appointed as the retained sponsor of the Company for the period from 12 August 2003 to 31 December 2005 (or until the sponsor agreement is otherwise terminated upon the terms and conditions contained therein), for which the Sponsor will receive a fee.

As notified and updated by the Sponsor, neither the Sponsor nor any of its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in any class of securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group as at 30 September 2003.

Save as disclosed above, the Sponsor had no other interest in the Company as at 30 September 2003.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SHARES

During the quarter ended 30 September 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed shares.

COMPETING INTERESTS

None of the Directors or the management shareholders or any of their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which causes or may cause any significant competition with the business of the Group.

BOARD PRACTICE AND PROCEDURES

The Company has complied with the Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the Listing.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are, among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The audit committee consists of the two independent non-executive directors of the Company, namely Messrs Choy Tak Ho and Liu Bo.

The Group's draft unaudited results for the quarter and nine-month ended 30 September 2003 have been reviewed and commented by the audit committee members.

By order of the Board
Shine Science & Technology (Holdings) Limited
Gu Yun
Chairperson

Fujian, the PRC, 11 November 2003