



Superdata Software Holdings Limited

速達軟件控股有限公司*

(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

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

HIGHLIGHTS

- Turnover of the Group amounted to approximately RMB27.4 million for the nine months ended 30 September 2003, representing an increase of approximately 27% as compared to approximately RMB21.6 million for the corresponding period in the previous financial year.
- Net profit of the Group amounted to approximately RMB11.0 million for the nine months ended 30 September 2003, representing an increase of approximately 43% as compared to approximately RMB7.7 million for the corresponding period in the previous financial year.
- Earnings per share of the Group was approximately RMB3.2 cents for the nine months ended 30 September 2003.
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2003.

QUARTERLY 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 nine months ended 30 September 2003, together with the unaudited comparative figures for the corresponding periods in 2002 as follows:

	<i>Note</i>	Three months ended 30 September		Nine months ended 30 September	
		2003	2002	2003	2002
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	9,333	7,535	27,421	21,615
Value-added tax refund		1,203	730	3,543	2,455
		<u>10,536</u>	<u>8,265</u>	<u>30,964</u>	<u>24,070</u>
Cost of computer software		(420)	(701)	(1,403)	(1,279)
Other revenue	2	90	31	228	90
Staff costs		(3,068)	(2,341)	(8,796)	(6,376)
Depreciation		(271)	(311)	(872)	(932)
Amortisation		—	(40)	—	(120)
Royalties		(348)	—	(579)	—
Advertising and promotional expenses		(873)	(948)	(3,274)	(2,915)
Other operating expenses		(2,194)	(1,382)	(5,267)	(4,882)
Profit before taxation		<u>3,452</u>	<u>2,573</u>	<u>11,001</u>	<u>7,656</u>
Taxation	3	—	—	—	—
Profit attributable to shareholders		<u><u>3,452</u></u>	<u><u>2,573</u></u>	<u><u>11,001</u></u>	<u><u>7,656</u></u>
Basic earnings per share (RMB cents)	4	<u><u>0.86</u></u>	<u><u>0.86</u></u>	<u><u>3.21</u></u>	<u><u>2.55</u></u>
Diluted earnings per share (RMB cents)	4	<u><u>0.82</u></u>	<u><u>N/A</u></u>	<u><u>3.11</u></u>	<u><u>N/A</u></u>

NOTES

1. GROUP REORGANISATION AND BASIS OF PREPARATION

Group reorganisation

- (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) Pursuant to a group reorganisation (the “Reorganisation”) in preparation for the listing of the Company’s shares on GEM on 6 June 2003 (the “Listing”), the Company became the holding company of the Group on 20 May 2003. Details of the Reorganisation are set out in Appendix IV of the Prospectus.
- (c) The Reorganisation is accounted for using merger accounting as stipulated in the Hong Kong Statement of Standard Accounting Practice (“SSAP”) 27 “Accounting for group reconstructions” issued by the Hong Kong Society of Accountants. The consolidated results of the Group for the period ended 30 September 2003, including the comparative figures, are prepared as if the Company had been the holding company of the companies comprising the Group from the beginning of the earliest period presented.
- (d) All significant transactions and balances among the companies comprising the Group are eliminated on consolidation.

Basis of preparation

The condensed consolidated results have been prepared in accordance with SSAP and the applicable disclosure requirements of the GEM Listing Rules.

The principal accounting policies and basis of preparation adopted for the preparation of these condensed consolidated results are consistent with those adopted by the Group in the Prospectus.

2. TURNOVER AND REVENUE

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

	Three months ended 30 September		Nine months ended 30 September	
	2003 RMB'000 (Unaudited)	2002 RMB'000 (Unaudited)	2003 RMB'000 (Unaudited)	2002 RMB'000 (Unaudited)
Turnover				
Sales of packaged software	9,333	7,085	27,421	20,419
Sales of customised software	—	450	—	1,196
	<u>9,333</u>	<u>7,535</u>	<u>27,421</u>	<u>21,615</u>
Other revenue				
Interest income	90	31	228	90
	<u>90</u>	<u>31</u>	<u>228</u>	<u>90</u>
Total revenue	<u>9,423</u>	<u>7,566</u>	<u>27,649</u>	<u>21,705</u>

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

3. TAXATION

No provision for Hong Kong profits tax has been made for the three months and nine months ended 30 September 2003 (three months and nine months ended 30 September 2002: Nil) as the Group has no assessable profit in Hong Kong during these periods.

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

Superdata (Guangzhou) is registered in Guangzhou Economic Technology Development District. During the period, Superdata (Guangzhou) has accumulated net operating losses brought forward, and is applying to the tax authorities for a preferential EIT rate of 15%.

Glory Shanghai qualifies as a high-technology enterprise established in new technology development zone and is entitled to a preferential EIT rate of 15%.

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.

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 from the first profitable year after offsetting all tax losses carried forward from the previous five years.

4. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the unaudited profits attributable to shareholders for the three months and nine months ended 30 September 2003 of approximately RMB3,452,000 and RMB11,001,000, respectively (three months and nine months ended 30 September 2002: approximately RMB2,573,000 and RMB7,656,000, respectively) and the weighted average number of approximately 400,000,000 and 343,223,000 ordinary shares, respectively for the three months and nine months ended 30 September 2003 (three months and nine months ended 30 September 2002: 300,000,000 shares) in issue during the periods after adjusted for the capitalisation issue.

The calculation of diluted earnings per share for the three months and nine months ended 30 September 2003 was based on the unaudited profit attributable to shareholders of approximately RMB3,452,000 and RMB11,001,000, respectively and the diluted weighted average number of approximately 421,136,000 shares and 353,675,000 shares, respectively in issue during the periods. They have been calculated after taking into account all dilutive instruments outstanding as at 30 September 2003. The effect of the dilutive potential 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 nine months ended 30 September 2003 were approximately 21,136,000 shares and 10,452,000 shares, respectively which were deemed to have been issued at no consideration as if all outstanding share options had been exercised on the date the options were granted.

Diluted earnings per share is not presented for the three months and nine months ended 30 September 2002 because there were no dilutive potential ordinary shares in existence during the periods.

5. RESERVES

	Share premium RMB'000 Note (i)	Exchange reserve RMB'000	Merger reserve RMB'000 Note (ii)	Share issuance costs RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2002 (<i>Audited</i>)	—	30	42,599	(157)	(23,320)	19,152
Profit for the 9 months ended 30 September 2002	—	—	—	—	7,656	7,656
Share issuance costs	—	—	—	(595)	—	(595)
At 30 September 2002 (<i>Unaudited</i>)	—	30	42,599	(752)	(15,664)	26,213
At 1 January 2003 (<i>Audited</i>)	—	30	42,599	(3,235)	(11,810)	27,584
Profit for the 9 months ended 30 September 2003	—	—	—	—	11,001	11,001
Issue of a new share of a subsidiary Shares issued pursuant to the Capitalisation issue	(3,086)	—	—	—	—	(3,086)
Shares issued pursuant to the Placing	31,175	—	—	—	—	31,175
Share issuance costs	—	—	—	(8,356)	—	(8,356)
At 30 September 2003 (<i>Unaudited</i>)	28,089	30	44,685	(11,591)	(809)	60,404

Note:

- (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 subsidiary acquired through exchanges of shares.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2003.

BUSINESS AND OPERATION REVIEW

For the nine months ended 30 September 2003, the Group has engaged in the development and sales of packaged integrated business software in the PRC.

The Group reported an unaudited turnover of approximately RMB27.4 million for the nine months ended 30 September 2003, representing a significant growth of approximately 27% over that of the corresponding period in 2002. Turnover of the Group was derived principally from the sales of packaged integrated business management software. The growth was attributed to the growing recognition and acceptance of the Group's products and enhanced sales and marketing efforts.

The Group recorded a net profit of approximately RMB11.0 million for the nine months ended 30 September 2003, representing an increase of approximately 43% over that of the corresponding period in 2002. If the sales of ERP (an application system for achieving company-wide integration of business and technical information), for which management resolved not to focus on in 2003, had been excluded in 2002, the increase in percentage of the net profit would have increased by approximately 119%.

The Directors believe that the Group has continued to be the market leader with more than 80% market share in the PRC's small and medium enterprises ("SME"(s)) management software retail market on installation base. The Group has continued to promote the "QuickBooks速達" brand and enhance its image in the market place.

PROSPECTS

The Directors believe that the Group has retained its position as the market leader in the integrated business management software solution by providing off-the-shelf solutions to the SMEs for the nine months ended 30 September 2003. The Directors also believe that SME's application software will remain one of the most promising fields in the IT industry in the PRC in the long run. Based on the research report prepared by IDC in August 2002, SME's management software retail market in the PRC is expected to grow with a compound annual growth rate of approximately 36.5% from 2002 to 2006. The Directors therefore strongly believe that there is still a great market for the Group to grow in the future.

The Group realises that the key to increasing its sales is to expand its sales channels in different areas in the PRC and to seek alliances with new channel partners. The Group will assess carefully its potential partners and analyse the market circumstances to ensure that its expansion will be beneficial to the Group's business development as of today and in the long run.

On the other hand, the Group will continue the strategic alliance with Intuit to enhance the brand image of the Group's products in the PRC.

PRODUCT LAUNCH

For the first half of 2003, the Group has launched a series of new products ranging from vertical field solutions such as SD pharmacy management, SD Finance Pro and SD Distribution Management System to enhanced generic solutions such as E2 Pro for medium-sized enterprises. According to the Company's plan, new products like the SD Production Enterprise Management and E2-XP were also launched in August 2003 and September 2003 respectively. New products launched during the period were warm-welcomed by market. In addition, the Group has engaged in its products upgrade. The newly upgraded products have improved in execution efficiency and functionality.

The Group expects to launch its other new products, including SD Construction and SD Finance XP in the last quarter of 2003.

RELOCATION OF A SUBSIDIARY

Beijing Superdata Network Co., Ltd, a wholly-owned subsidiary of the Company, has successfully relocated from Beijing to Shanghai during the three months ended 30 September 2003. After the relocation, Beijing Superdata Network Co., Ltd has changed its name to Glory Software (Shanghai) Limited ("Glory Shanghai"). The relocation marks the management's determination to capture the opportunities in Shanghai. Principal activities of Glory Shanghai will be focusing on the development of management software for vertical business products, such as products for the construction industry. The Directors expect that Glory Shanghai will commence its contribution in turnover and profits to the Group in the last quarter of 2003.

SHARE OPTION SCHEMES

Pursuant to a pre-IPO share option scheme adopted by the Company on 19 May 2003 ("Pre-IPO Share Option Scheme"), the Company had granted pre-IPO share options to three executive Directors, one senior management staff and one part-time consultant and to Mr. Cen Anbin and Mr. Zhou Quan acting as joint trustees (together the "Trustee") of a trust established for the benefit of the employees of the Group who are PRC nationals (excluding the three executive Directors, one senior management staff and one part-time consultant of the members of the Group) (the "Trust"). The options granted under the Pre-IPO Share Option Scheme entitle the holders to subscribe for a total of up to 27,271,062 Shares at an exercise price ranging from HK\$0.10 to HK\$0.26 each, representing, in aggregate, approximately 6.8% of the existing issued share capital of the Company.

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 Trustee (as the case may be) only after the first, second, third, fourth and fifth anniversaries of 6 June 2003 for the period of five years from 6 June 2003 respectively up to 5 June 2013. The principal terms of the Pre-IPO Share Option Scheme are set out in the Prospectus.

None of the options granted under the Pre-IPO Share Option Scheme have been exercised, lapsed or cancelled for the three months ended 30 September 2003.

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 persons 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 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 principal terms of the Share Option Scheme are set out in the Prospectus.

As at the date of this report, no options have been granted by the Company pursuant to the Share Option Scheme.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Pursuant to the Pre-IPO Share Option Scheme, the Company had granted pre-IPO share options for subscribing for the Company's ordinary shares to certain of its Directors, details of which are as follows:

Name of director	Number of share options granted on 19 May 2003	Exercise price per share
Mr. Cen Anbin	16,127,118 of which 10,453,030 are held in the capacity as trustee	In respect of 5,674,088 options held personally, HK\$0.10 In respect of 10,453,030 options held in the capacity as trustee: 3,867,182 options at HK\$0.10 and the remaining 6,585,848 options at HK\$0.26
Mr. Zhou Quan	10,453,030 are held in the capacity as trustee	In respect of 10,453,030 options held in the capacity as trustee: 3,867,182 options at HK\$0.10 and the remaining 6,585,848 options at HK\$0.26
Mr. Zou Qixiong	5,674,088	HK\$0.10
Mr. Lin Gang	2,837,045	HK\$0.10

Except as specified above, all the options are personally held by the Directors. All of the options have a duration of ten years, from 6 June 2003 to 5 June 2013, but they can only be exercised in respect of up to 20%, 40%, 60%, 80%, and 100% of the options respectively after each anniversary of 6 June 2003 up to 5 June 2008, and will expire on 5 June 2013.

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

As at 30 September 2003, 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 required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the minimum standards of dealing by Directors in Rule 5.40 of the GEM Listing Rules, were as follows:

The Company

Long positions in shares

Name of Directors	Number of shares	Nature of interests	Approximate percentage of interest in the total issued share capital of the Company (%)
Mr. Cen Anbin	24,585,308	Corporate (<i>Note 1</i>)	6.14%
	1,000,000	Personal	0.25%
Mr. Zou Qixiong	23,724,016	Corporate (<i>Note 2</i>)	5.93%
Mr. Lin Gang	8,129,569	Corporate (<i>Note 3</i>)	2.03%
	100,000	Personal	0.03%

Notes:

1. The 24,585,308 shares are held by Shanghai International Development Ltd., a company incorporated in the British Virgin Islands ("BVI") with limited liability and wholly-owned by Mr. Cen Anbin.
2. The 23,724,016 shares are held by Heroic Performance Management Ltd., a company incorporated in BVI with limited liability and wholly-owned by Mr. Zou Qixiong.
3. The 8,129,569 shares are held by Beijing Visits Ltd., a company incorporated in BVI with limited liability and wholly-owned by Mr. Lin Gang.

Long positions in equity derivatives in, or in respect of, underlying shares

Name of Directors	Number and description of equity derivatives	Number of underlying shares	Nature of interests	Approximate percentage of interest in the total issued share capital of the Company (%)
Mr. Cen Anbin	5,674,088 options granted under the Pre-IPO Share Option Scheme	5,674,088	Personal <i>(Note 4)</i>	1.42%
	10,453,030 options granted under the Pre-IPO Share Option Scheme	10,453,030	Other <i>(Note 5)</i>	2.61%
Mr. Zhou Quan	10,453,030 options granted under the Pre-IPO Share Option Scheme	10,453,030	Other <i>(Note 5)</i>	2.61%
Mr. Zou Qixiong	5,674,088 options granted under the Pre-IPO Share Option Scheme	5,674,088	Personal <i>(Note 6)</i>	1.42%
Mr. Lin Gang	2,837,045 options granted under the Pre-IPO Share Option Scheme	2,837,045	Personal <i>(Note 7)</i>	0.71%

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 5,674,088 shares.

5. On 19 May 2003, a discretionary trust was established for the benefit of the holders of options in the Company granted under the Pre-IPO Share Option Scheme and options to be granted under the Share Option Scheme who are PRC nationals (other than the Directors). Under this trust arrangement, Mr. Cen Anbin and Mr. Zhou Quan (together the "Trustee") acting as joint trustees shall hold such options as trustee and nominee for these option holders. On the written direction of an option holder, the Trustee shall exercise the options attributable to that option holder and on receipt of the underlying shares resulting from the exercise of the option, the Trustee shall sell those underlying shares at the then market price of the shares on GEM. After deducting the costs of exercising the relevant options 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 Quan 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. will finance the exercise of the options granted to the Trustee.
6. Mr. Zou Qixiong has been granted options under the Pre-IPO Share Option Scheme, which, when exercised by him in full, entitles him to subscribe for a total of 5,674,088 shares.
7. Mr. Lin Gang has been granted options under the Pre-IPO Share Option Scheme, which, when exercised by him in full, entitles him to subscribe for a total of 2,837,045 shares.

Save as disclosed above, as at 30 September 2003, 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 required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by Directors of the Company as referred to in Rules 5.40 to 5.58 of the GEM Listing Rules.

None of the options have been exercised, lapsed or cancelled for the three months ended 30 September 2003.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2003, the following persons (other than Directors or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or were directly interested in 10% or more of the nominal value of any class of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long positions in shares

Name of shareholders	Nature of interests	Number of shares	Approximate percentage of interest in the total issued share capital of the Company (%)
IDG Technology Venture Investment, Inc. ("IDGVC")	Corporate (Note a)	85,988,578	21.50%
International Data Group, Inc. ("IDG")	Corporate (Note a)	85,988,578	21.50%
Mr. Patrick McGovern	Corporate (Note a)	85,988,578	21.50%
Intel Pacific, Inc. ("Intel")	Corporate (Note b)	74,376,257	18.59%
Intel Corporation	Corporate (Note b)	74,376,257	18.59%

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 issued share capital of IDG and will be deemed to be interested in 85,988,578 shares.

- (b) Intel is a company wholly-owned by Intel Corporation, which is therefore deemed to be interested in the 74,376,257 shares held by Intel.

OTHER SHAREHOLDERS

As at 30 September 2003, the following persons (other than Directors or chief executive of 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 and/or were directly interested in 5% or more of the nominal value of any class of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long positions in Shares

Name of shareholders	Nature of interests	Number of shares	Approximate percentage of interest in the total issued share capital of the Company (%)
East Light Investment Pte. Ltd.	Corporate (Note a)	26,234,822	6.56%
Government of Singapore Investment Corporation (Ventures) Pte. Ltd.	Corporate (Note a)	26,234,822	6.56%

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 will be deemed to be interested in 26,234,822 shares.

Save as disclosed above, as at 30 September 2003, there were no person who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

COMPETING INTERESTS

Except as disclosed in the Prospectus, 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

First Shanghai Capital Limited ("First Shanghai") has entered into a sponsor agreement with the Company on 28 May 2003 whereby First Shanghai is entitled to receive a fee for acting as the Company's continuing sponsor for the purpose of Chapter 6 of GEM Listing Rules for the remaining period up to 31 December 2005.

Save as disclosed above, as at 30 September 2003, neither First Shanghai nor any of its respective directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company or of any members of the Group, or had any right to subscribe for or to nominate persons to subscribe for the securities of the Company of any members of the Group.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

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 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 quarterly results for the nine months ended 30 September 2003.

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

The Company's shares were listed on GEM on 6 June 2003. Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the period from 6 June 2003 to 30 September 2003.

By order of the Board
Cen Anbin
Chairman

Hong Kong, 12 November 2003