



中软国际

# CHINASOFT INTERNATIONAL LIMITED

中軟國際有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8216)

## FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31ST MARCH, 2004

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

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*This announcement, for which the directors of Chinasoft International Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Chinasoft International Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this announcement 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 announcement misleading; and (3) 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 purpose only

## **HIGHLIGHTS**

- Accomplished a net profit of approximately RMB5,458,000 for the three months ended 31st March, 2004, representing an approximately 91% increase as compared to the corresponding period in 2003
- Achieved a turnover of approximately RMB58,816,000 for the three months ended 31st March, 2004, representing an approximately 192% increase as compared to the corresponding period in 2003
- The Directors do not recommend the payment of an interim dividend for the three months ended 31st March, 2004

## FIRST QUARTER RESULTS

The board of Directors (“Board”) of Chinasoft International Limited (the “Company”) is pleased to announce the unaudited combined operating results of the Company and its subsidiaries (the “Group”) for the three months ended 31st March, 2004, respectively with corresponding figures as follows:

### COMBINED INCOME STATEMENT (UNAUDITED)

		<b>For the three months ended 31st March,</b>	
		<b>2004</b>	2003
	<i>Notes</i>	<b>RMB'000</b>	<i>RMB'000</i>
Turnover	2	<b>58,816</b>	20,131
Cost of sales		<b>(45,221)</b>	(13,313)
Gross profit		<b>13,595</b>	6,818
Other operating income		<b>24</b>	90
Distribution costs		<b>(2,782)</b>	(1,411)
Administrative expenses		<b>(3,631)</b>	(1,773)
Amortisation of development costs		<b>(40)</b>	(40)
Profit from operations		<b>7,166</b>	3,684
Finance costs		<b>(36)</b>	–
Profit before taxation		<b>7,130</b>	3,684
Taxation	3	<b>(536)</b>	(263)
Net profit before minority interests		<b>6,594</b>	3,421
Minority interests		<b>(1,136)</b>	(565)
Net profit attributable to shareholders		<b>5,458</b>	2,856
Dividend		–	–
Earnings per share			
– basic	4	<b>RMB0.009</b>	RMB0.006
– diluted		<b>RMB0.008</b>	Nil

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	General reserve <i>RMB'000</i>	Enterprise expansion fund <i>RMB'000</i>	Accumulated profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1st January, 2003	118	42,828	49	970	485	21,490	65,940
Net profit for the period	—	—	—	—	—	2,856	2,856
At 31st March, 2003	<u>118</u>	<u>42,828</u>	<u>49</u>	<u>970</u>	<u>485</u>	<u>24,346</u>	<u>68,796</u>
At 1st January, 2004	33,920	45,080	49	1,074	589	45,399	126,111
Net profit for the period	—	—	—	—	—	5,458	5,458
At 31st March, 2004	<u>33,920</u>	<u>45,080</u>	<u>49</u>	<u>1,074</u>	<u>589</u>	<u>50,857</u>	<u>131,569</u>

Notes:

## 1. BASIS OF PRESENTATION

The financial statements of the Group have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the Rules Governing the Listing of Securities on GEM.

## 2. TURNOVER

Turnover, which is stated net of valued-added tax and other sales tax and returns, represents amounts invoiced to customers, except in respect of provision of solutions services and IT outsourcing services where turnover represents the value of work done during the year, including amounts not yet invoiced.

	<b>For the three months ended 31st March,</b>	
	<b>2004</b>	2003
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Solutions	<b>48,152</b>	13,902
IT outsourcing	<b>10,664</b>	5,385
IT consulting and training services	–	476
Standalone software product	–	368
	<hr/>	<hr/>
	<b>58,816</b>	20,131
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## 3. TAXATION

Pursuant to an approval document issued by the State Tax Bureau of Beijing Haidian District dated 21st November 2000, Beijing Chinasoft International Information Technology Limited (“Chinasoft Beijing”), a major operating subsidiary of the Group, has been designated as an advanced technology enterprise and is entitled to the three years’ exemption from income tax followed by three years of 50% tax reduction commencing from the first-profit-making year with effect from 2000.

Chinasoft Beijing is subject to the income tax computed at the rate of 7.5% for the three years ending 31st December 2005 and at the rate of 15% on its taxable profit thereafter.

No provision for Hong Kong Profits Tax has been made for the relevant periods as the Group did not have any assessable profit during the Relevant Periods.

There were no significant unprovided deferred taxation during the relevant periods and as at the respective balance sheet dates.

#### **4. EARNINGS PER SHARE**

The calculation of the earnings per share for the three months ended 31st March, 2004 was based on the net profit of approximately RMB5,458,000 during the three months ended 31st March, 2004 (three months ended 31st March, 2003: RMB2,856,000) divided by the weighted average number of ordinary shares then issued of 640,000,000 shares during the three months ended 31st March, 2004 (2003: 480,000,000 shares) as if the sub-division of the Company's shares as described in Appendix IV of the prospectus of the Company dated 10th June, 2003 ("Prospectus") had taken place at the beginning of the relevant periods.

The calculation of diluted earnings per share for the three months ended 31st March, 2004 was based on the net profit of RMB5,458,000 for the three months ended 31st March 2004 divided by the weighted average number of shares used in calculation of diluted earnings per share for the three months ended 31st March 2004 of 642,808,608.

Diluted earnings per share are not presented for the three months ended 31st March, 2003 as there were no potential dilutive securities in existence during the relevant periods.

#### **DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the three months ended 31st March, 2004 (2003: Nil).

#### **MANAGEMENT DISCUSSION AND ANALYSIS**

##### **Financial Review**

##### **Discussion of Consolidated Operating Results**

##### **Turnover**

The turnover of the Group for the three months ended 31st March, 2004 was RMB58,816,000, representing an increase of 192% as compared to the turnover of RMB20,131,000 for the three months ended 31st March, 2003.

During the period under review, the Group achieved a continuous and stable development for each of its operations. The increase in turnover was mainly attributable to the Group's completion of the business contract with the State Tobacco Control Bureau and its 36 major tobacco production enterprises and 36 major metropolitan business enterprises so as to promote the "Tobacco Production and Operation Decision Management Subsystem for the State Tobacco Control Bureau" developed by the Group. During the period under review, the promotional activities for the project made greater progress.

##### **Gross profit**

The gross profit of the Group for the three months ended 31st March, 2004 was RMB13,595,000, representing an increase of 99% as compared to the gross profit of RMB6,818,000 for the three months ended 31st March, 2003.

## **Profit attributable to shareholders**

Profit attributable to shareholders of the Group for the three months ended 31st March, 2004 was RMB5,458,000, representing an increase of 91% as compared to the profit attributable to shareholders of RMB2,856,000 for the three months ended 31st March, 2003.

During the period under review, the Group's percentage of distribution costs to turnover was 5%, representing a decrease of 2% as compared to 7% of the corresponding period last year. The percentage of administrative expenses to turnover was 6%, representing a decrease of 3% as compared to 9% of the corresponding period last year. With an expansion of the size of the Group's operations, its ratio of operating costs dropped, reflecting the fact that the Group has achieved an economy of scale accordingly.

## **BUSINESS REVIEW**

During the period under review, the overall business of the Group showed good momentum. The major performances were as follows:

- (1) Compared with the corresponding period, on the base of 192% increase in sales revenue, outstanding contracts increased by 200%;
- (2) The Group achieved solid progress in the four main business areas:
  - 1) e-government solution: making a breakthrough in e-tobacco information solution;
  - 2) standalone software products: starting the ISS securities products agency business;
  - 3) information training: successfully acquiring the CS&S Computer Tech. Training Centre;
  - 4) information outsourcing: successfully acquiring Chinasoft Cyber Resources Software Technology (Tianjin) Company Limited.

## **192% increase in sales revenue and 200% increase in outstanding contracts**

During the period under review, the Group achieved a sales revenue of RMB58,816,000, representing an increase of 192%. On this base the Company's outstanding contracts amounted to RMB150,000,000 as at 31st March 2004, representing an increase of 200% as compared with RMB50,000,000 in the corresponding period last year.

The increase of the Company's outstanding contracts was mainly attributed to e-tobacco information solution. During the period under review, the Group completed the business contract with the State Tobacco Control Bureau and its 36 major tobacco production enterprises and 36 major metropolitan business enterprises so as to promote the "Tobacco Production and Operation Decision Management Subsystem for the State Tobacco Control Bureau" developed by the Group.

## **E-government solution: making a breakthrough in e-tobacco information solution**

Tobacco industry in the PRC is under a centralized organization with integrated leadership, vertical management and specialized control and operation. The State Tobacco Control Bureau is responsible for the nationwide supervision of the monopolized tobacco sale; integration of the agricultural, manufacturing and trading sectors; centralized management of production, supply and distribution; as well as domestic and external trade of tobacco products in the PRC. According to the statistics provided by the State Tobacco Control Bureau, the State Tobacco Control Bureau has set up various levels of tobacco control bureau and tobacco companies in all provinces, cities and counties across the country. There are more than 500,000 workforce and more than 3 million tobacco retail shops within the whole organization. Total tax revenue from the industry in 2003 amounted to RMB164.7 billion, representing an increase of 29% as compared with the total tax revenue of RMB145.9 billion in 2002.

During the period under review, the Group completed the business contract with the State Tobacco Control Bureau and its 36 major tobacco production enterprises and 36 major metropolitan business enterprises so as to promote the “Tobacco Production and Operation Decision Management Subsystem for the State Tobacco Control Bureau” developed by the Group. The 36 major tobacco production enterprises and 36 major metropolitan business enterprises which have entered into contracts include:

- Zhangjiakou Cigarette Factory (張家口捲煙廠)
- Yuxihongta Group (玉溪紅塔集團)
- Qujing Cigarette Factory (曲靖捲煙廠)
- Chuncheng Cigarette Factory (春城捲煙廠)
- Nanjing Cigarette Factory (南京捲煙廠)
- Zhaotong Cigarette Factory (昭通捲煙廠)
- Honghe Cigarette Factory (紅河捲煙廠)
- Ningbo Cigarette Factory (寧波捲煙廠)
- Wuhu Cigarette Factory (蕪湖捲煙廠)
- Bengbu Cigarette Factory (蚌埠捲煙廠)
- Huaiyin Cigarette Factory (淮陰捲煙廠)
- Yanji Cigarette Factory (延吉捲煙廠)
- Lanzhou Cigarette Factory (蘭州捲煙廠)
- Baoji Cigarette Factory (寶雞捲煙廠)
- Longyan Cigarette Factory (龍岩捲煙廠)
- Sichuan Shifang Cigarette Factory (四川什邡捲煙廠)
- Chengdu Cigarette Factory (成都捲煙廠)
- Chongqing Tobacco Industrial Co., Ltd. (重慶煙草工業有限責任公司)
- Nanchang Cigarette Factory (南昌捲煙廠)
- Guiyang Cigarette Factory (貴陽捲煙廠)
- Changde Cigarette Factory (常德捲煙廠)
- Guangzhou No.1 Cigarette Factory (廣州捲煙一廠)
- Guangzhou No.2 Cigarette Factory (廣州捲煙二廠)
- Changsha Cigarette Factory (長沙捲煙廠)
- Hangzhou Cigarette Factory (杭州捲煙廠)

- Xiamen Cigarette Factory (廈門捲煙廠)
- Liuzhou Cigarette Factory (柳州捲煙廠)
- Zunyi Cigarette Factory (遵義捲煙廠)
- Henan Xinzheng Tobacco (Group) Co. (河南新鄭煙草(集團)公司)
- Kunming Cigarette Factory (昆明捲煙廠)
- General Tobacco Group (將軍煙草集團)
- Yizhong Tobacco Group (頤中煙草集團)
- Wuhan Cigarette Factory (武漢捲煙廠)
- Xuzhou Cigarette Factory (徐州捲煙廠)
- Shanghai Tobacco (Group) Co. (上海煙草(集團)公司)
- Xuchang Cigarette Factory (許昌捲煙廠)
- Anhui Province Tobacco Company Hefei Branch Office (安徽省煙草公司合肥分公司)
- Dalian Municipal Company Tobacco Company (大連市公司煙草公司)
- Fujian Province Tobacco Company Fuzhou Municipal Company (福建省煙草公司福州市公司)
- Fujian Province Tobacco Company Xiamen Municipal Company (福建省煙草公司廈門市公司)
- Gansu Province Tobacco Company (甘肅省煙草公司)
- Guangdong Province Tobacco Company Guangzhou Municipal Company (廣東省煙草公司廣州市公司)
- Guangxi Zhuang Zu Autonomous Region Tobacco Company Nanning Branch Office (廣西壯族自治區煙草公司南寧分公司)
- Guizhou Tobacco Company Guiyang Branch Office (貴州煙草公司貴陽分公司)
- Hainan Province Tobacco Company Haikou Municipal Company (海南省煙草公司海口市公司)
- Hebei Province Tobacco Company Zhijiazhuang Branch Office (河北省煙草公司石家莊分公司)
- Henan Province Tobacco Company Zhengzhou Branch Office (河南省煙草公司鄭州分公司)
- Heilongjiang Province Tobacco Company Haerbin Branch Office (黑龍江省煙草公司哈爾濱分公司)
- Hubei Province Tobacco Company Wuhan Municipal Company (湖北省煙草公司武漢市公司)
- Hunan Province Tobacco Company Changsha Municipal Company (湖南省煙草公司長沙市公司)
- Jilin Province Tobacco Company Changchun Branch Office (吉林省煙草公司長春分公司)
- Jiangsu Province Tobacco Company Nanjing Branch Office (江蘇省煙草公司南京分公司)
- Jiangxi Province Tobacco Company Nanchang Municipal Company (江西省煙草公司南昌市公司)
- Inner Mongolia Autonomous Region Tobacco Company Huhehaote Branch Office (內蒙古自治區煙草公司呼和浩特分公司)
- Ningxia Hui Zu Autonomous Region Tobacco Company Yinchuan Municipal Company (寧夏回族自治區煙草公司銀川市公司)
- Qinghai Province Tobacco Company Xining Municipal Company (青海省煙草公司西寧市公司)
- Shandong Jinan Tobacco Company Limited (山東濟南煙草有限公司)
- Shandong Qingdao Tobacco Company Limited (山東青島煙草有限公司)
- Shanxi Province Tobacco Company Taiyuan Municipal Company (山西省煙草公司太原市公司)

- Shaanxi Province Tobacco Company Xian Municipal Company (陝西省煙草公司西安市公司)
- Liaoning Tobacco Company Shenyang Branch Office Tobacco Company (遼寧煙草公司瀋陽分公司煙草公司)
- Sichuan Province Tobacco Company Chengdu Branch Office (四川省煙草公司成都分公司)
- Tibet Tobacco Company (西藏煙草公司)
- Xinjiang Uygur Autonomous Region Tobacco Company Urumchi Branch Office (新疆維吾爾自治區煙草公司烏魯木齊分公司)
- Yunnan Province Tobacco Company Kunming Municipal Company (雲南省煙草公司昆明市公司)
- Zhejiang Province Tobacco Company Hangzhou Branch Office (浙江省煙草公司杭州分公司)
- Zhejiang Province Tobacco Company Ningbo Branch Office (浙江省煙草公司寧波分公司)
- Beijing Municipality Tobacco Company (北京市煙草公司)
- Jilin Province Tobacco Company (吉林省煙草公司)
- Shenzhen Municipality Tobacco Company (深圳市煙草公司)
- Tianjin Municipality Tobacco Company (天津市煙草公司)
- Chongqing Municipality Tobacco Company (重慶市煙草公司)

The “Tobacco Production and Operation Decision Management Subsystem” is established as a decision controlling system for regulating the tobacco market and strengthening the monopolized tobacco sale through business data integration of the industry. The main contents of the promotional project include (1) the installation of the “Tobacco Production and Operation Decision Management Subsystem for the State Tobacco Control Bureau” developed by the Group in the State Tobacco Control Bureau and its 36 major tobacco production enterprises and 36 major metropolitan business enterprises; (2) the establishment of a nationwide Internet data system for the realization of interconnection among the State Tobacco Control Bureau and its 36 major tobacco production enterprises and 36 major metropolitan business enterprises in the PRC; (3) the provision of IT technical trainings and operational trainings of the system to the users.

The Group’s success in securing the promotional activities for the project reflected that the Group’s ResourceOne was fully recognized by the State Tobacco Control Bureau. The e-government supporting platform software is an indispensable and basic software in the e-government system. It facilitates information sharing and workflow coordination between the upper and lower level of government entities and among various departments of the same administrative level, integration of department functions as well as provision of one-stop services for the public. The e-government supporting platform software serves an important function as an operational platform for the e-government application systems and plays a strategic role in enhancing the Group’s competitive advantage as an e-government solution provider. CCID, an IT research authority in the PRC, released the “Market Report on E-government Supporting Platform Software in 2002” (the “CCID Report”) in September 2003. With its 15.7% market share, the Group was ranked the first among the e-government supporting platform application software products in the PRC. The CCID Report commented on the Group’s ResourceOne as “advance in technology” and “meeting marketing demand”. The Directors believe that the Group’s ResourceOne will become one of our core competitiveness of tapping the new market and undertaking the nationwide and large-scale IT projects.

Following this promotional project, the Group will continue to commence the promotional activities for 47 non-major tobacco industrial enterprises and 334 municipal and county tobacco branch offices.

During the period under review, the Group entered into “The First Phase of Project Work Building Contract of the Office Automation for the State Tobacco Control Bureau” with the State Tobacco Control Bureau. The contract involves various functions of the office automation for the State Tobacco Control Bureau, including document transmission, online approvals, information portals and online tenders. The project is another significant information project work launched by the State Tobacco Control Bureau following the “Tobacco Production and Operation Decision Management Subsystem for the State Tobacco Control Bureau”.

### **Standalone software products: announcing the establishment of a Strategic Alliance with ISS and starting the ISS securities products agency business**

Software Industry Association in the PRC has forecast that the size of the information securities market in the PRC for the year 2004 will increase by 30-35% from the year 2003, with a total market amount of over RMB20 billions. The e-government information security still remains a main battlefield of the information securities in the PRC.

Internet Securities Systems (ISS, NASDAY: ISSX) is one of the largest accommodable Internet securities system solution providers in the world, specializing in the provision of top-notch securities and protective solutions for the information transmission among the enterprises. ISS has become the most reliable and influential securities consultant among the majority of top 50 enterprises in the globe and 21 largest U.S. commercial banks, 9 largest telecommunication companies as well as the governmental authorities of 35 countries in the world.

During the period under review, the Group co-organized a press conference with the theme of “Co-found a free and safe network” with ISS, announcing the establishment of a strategic alliance to the media both in Beijing and Hong Kong. The Group also launched a series of road shows in four cities including Beijing, Hangzhou, Guangzhou and Chengdu.

During the period under review, the Group started setting up the nationwide sales and technological service centers in four cities, namely Beijing, Hangzhou, Guangzhou and Cheungdu. The functions of every single center include: (1) managing the sales channels; (2) working as a consultancy and training center for securities technology; (3) working as a emergency call center and backup call database.

The Group jointly set up a strategic alliance with ISS. The Group was also granted the exclusive right to sell all Internet network securities products of ISS in the PRC. This business will become a new source of business growth of the Group. Through this strategic cooperation, the Group will provide the clients with a wide range of products, including hardware, solutions and authoritative Internet securities solutions of ISS. This enables a full coverage of the products and services of the Group, and in the meantime, benefits the Group’s development and promotion of a safer e-government solution.

### **Information training: successfully acquiring the CS&S Computer Tech. Training Centre**

During the period under review, the Group acquired CS&S Computer Tech. Training Centre (hereinafter collectively the “CS&S”) at a consideration of RMB500,000. In the meantime, the Group obtained the exclusive right to use the trademark of CS&S for 25 years at a consideration of RMB2 million for enhancing the IT consultancy and training service operations of the Group.

CS&S is the first computer training entity with an internationally advanced level in the PRC. It has a history of 24 years. The clients of CS&S include enterprises, governments and individual students. Its major clients are 北電網絡, Motorola, Coca Cola (China), Beijing Planning and Development Commission (北京計劃發展委員會) and the Jiangsu Provincial Government. The number of various individual students trained by CS&S Centre has amounted to more than 400,000. Currently, the center is the authorized PRC training partners of multi-national IT enterprises such as Sun, Microsoft, HP-Compaq, IBM and Lotus, for developing the internationally recognized IT training businesses. In the meantime, the center is also the authorized examination center of two international examination companies, namely Prometric and VUE. After receiving the trainings in the center and passing the international exam, students will be granted an internationally recognized certificate by the relevant companies. CS&S Centre is the first authorized Java training center for Sun in the PRC. It became the authorized Java training and promotion center for Sun in 1999 and has been responsible for the regional promotion of Java training projects in the PRC. The centre passed the certification of ISO-9001 International Quality System on 28th September 1999, becoming the first computer technology training center recognized by ISO-9001 International Quality System.

### **Information outsourcing: successfully acquiring Chinasoft Cyber Resources Software Technology (Tianjin) Company Limited**

Software outsourcing is an important trend in the development of the global software industry. According to the IDC forecast, the global application software outsourcing service market will, on average, increase by 29.2% per annum. Facing the growing international market, the Group acquired 26% of the shareholdings in Chinasoft Cyber Resources Software Technology (Tianjin) Company Limited (“Cyber Resources”) (the remaining 74% of the shareholdings are held by three independent third parties) at a consideration of RMB1,985,200 and became the controlling shareholder of Cyber Resources for strengthening the IT technology outsourcing service business during the period under review, so as to further enhance the Group’s ability in management and service in software outsourcing. The Group plans to further increase its shareholdings in Cyber Resources in due course in order to be the absolute controlling shareholder.

Cyber Resources is a leading software outsourcing service provider in the PRC, principally engaged in the provision of protected software development, testing and related technological services for multi-national software enterprises, including IBM, HP, MOTOROLA. Cyber Resources has a strong software development team, which currently comprises more than 130 software engineers and has a well-established project management system. It has passed the ISO9001 certification and CMM second-class certification. For the years ended 31st December, 2002 and 2003, the audited sales revenue of Cyber Resources amounted to RMB11,590,000 and 13,590,000 respectively, and the the audited net profits amounted to RMB1,750,000 and 2,260,000 respectively.

## FUTURE PROSPECTS

The e-government market in the PRC continued its momentum for the first quarter of 2004. To capture the significant development opportunity, the Group will take the following steps in order to achieve its strategic objective of becoming the premier brand in e-government in the PRC:

- To continue to step up the research and development and marketing of e-government solutions such as “solution of tobacco industry solution”, “e-Audit solution”, “e-Park solution”, etc., so as to enlarge the market share and consolidate the competitive advantages. To continuously explore the scope of new e-government industry such as “金質” and “金保”.
- To implement a project integrating the sale and service of ISS safe product and e-tobacco solution in 36 major tobacco production enterprises and 36 major metropolitan business enterprises in the PRC in order to construct and optimize the nationwide sales network and technological service system of the Group.
- To strengthen the research and development and marketing of ResourceOne with an ultimate aim of building up the Group’s core competitiveness.
- According to the needs of the Group’s strategic development, to look for suitable acquisition target, and to realize the rapid growth of its business through acquisition and merger.

The Group will continue to strive for building up the brand name of “Chinasoft International”. It will also be committed to enhancing its source of income and providing shareholders with a considerable return.

## DIRECTORS’ INTERESTS IN SHARES

During the period, share options to subscribe for in 1,200,000 and 800,000 respectively shares of HK\$0.05 each in the capital of the Company were granted to Dr. Chen Yuhong and Mr. Peng Jiang respectively of the Group pursuant to the share option scheme of the Company adopted on 2nd June, 2003 with details as set out below:

Exercise Period		Exercise Price per share	Number of Shares exercisable
Begins	Ends		
13/08/2004	12/08/2013	HK\$0.58	25% of the total number of share options granted
13/08/2005	12/08/2013	HK\$0.58	25% of the total number of share options granted
13/08/2006	12/08/2013	HK\$0.58	25% of the total number of share options granted
13/08/2007	12/08/2013	HK\$0.58	25% of the total number of share options granted

Save as disclosed above, the Directors have no interests and short positions in the shares, debentures or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which have been required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which have been required, pursuant to rules 5.46 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange as at 31st March, 2004.

## **DIRECTORS’ RIGHTS TO ACQUIRE SHARES**

Save as disclosed above, during the three months ended 31st March, 2004, none of the Directors was granted options to subscribe for shares of the Company. Save as disclosed above, as at 31st March, 2004, none of the Directors had any rights to acquire shares in the Company.

## **SHARE OPTION SCHEME**

The Company has conditionally adopted the share option scheme. A summary of the principle terms and conditions of the share option scheme are set out in the section headed “Share Options” in Appendix IV of the Prospectus.

Share options to subscribe for in aggregate 11,040,000 shares of HK\$0.05 each in the capital of the Company were granted to certain directors and employees of the Group pursuant to the aforesaid share option scheme with details as set out below:

<b>Exercise Period</b>		<b>Exercise Price per share</b>	<b>Number of Shares exercisable</b>
<b>Begins</b>	<b>Ends</b>		
13/08/2004	12/08/2013	HK\$0.58	25% of the total number of share options granted
13/08/2005	12/08/2013	HK\$0.58	25% of the total number of share options granted
13/08/2006	12/08/2013	HK\$0.58	25% of the total number of share options granted
13/08/2007	12/08/2013	HK\$0.58	25% of the total number of share options granted

Save as disclosed above, no option has been granted, exercised and lapsed pursuant to such share option scheme up to 31st March, 2004.

## SUBSTANTIAL SHAREHOLDERS

So far as known to the Directors, as at 31st March, 2004, the following, not being a Director, have an interest or short position in the equity securities or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group, or substantial shareholders as recorded in the register required to be kept by the Company under section 336 of the SFO:

### *Long positions in Shares*

<b>Name</b>	<b>Types of interests</b>	<b>Number of shares (million)</b>	<b>Approximate percentage of holding</b>
Far Fast Technology International Limited ("Far Fast") (Note 1)	Corporate	176.89	27.64%
Castle Logistics Limited ("Castle Logistics") (Note 2)	Corporate	127.60	19.94%
Authorative Industries Limited ("Authorative") (Note 3)	Corporate	57.49	8.98%
ITG Venture Capital Limited ("ITG") (Note 4)	Corporate	46.94	7.33%
Prosperity International Investment Corporation ("Prosperity") (Note 5)	Corporate	39.79	6.22%

### *Notes:*

1. Mr. Duncan Chiu and Mr. David Chiu, an executive Director and a non-executive Director of the Company, respectively, are nominated by Far East.
2. Castle Logistics is beneficially owned by 10 shareholders of which 3 shareholders are Directors and 7 shareholders are senior management staff of the Group. Castle Logistics has appointed Dr. Chen Yuhong, Mr. Cui Hui and Mr. Peng Jiang as Directors and Mr. Xie Hua, Mr. Chen Yuqing, Dr. Tang Zhenming, Mr. Zhang Chongbin, Mr. Wang Hui, Mr. Chen Pei and Mr. Yu Yongxin to the senior management of the Group. These 10 individuals became shareholders of Castle Logistics on 25th April 2000.

Castle Logistics is beneficially owned by the senior management of the Group as follows:

<b>Name</b>	<b>Entire issued share capital of Castle Logistics</b>
Mr. Cui Hui	18%
Dr. Chen Yuhong	18%
Mr. Xie Hua	18%
Mr. Chen Yuqing	8%
Dr. Tang Zhenming	8%
Mr. Zhang Chongbin	8%
Mr. Peng Jiang	5.5%
Mr. Wang Hui	5.5%
Mr. Chen Pei	5.5%
Mr. Yu Yongxin	5.5%

3. The entire issued share capital of Authorative is beneficially owned by Mr. Yue Qianming.
4. The entire issued share capital of ITG is beneficially owned by Mr. Zhou Qi.
5. The entire issued share capital of Prosperity is beneficially owned by Mr. Joseph Tian Li.

Save as disclosed above, the Company had not been notified of any other interests representing 5% or more of the Company's issued share capital as at 31st March, 2004, or substantial shareholders as recorded in the register required to be kept by the Company under section 336 of the SFO.

## **COMPETING INTERESTS**

Mr. Cui Hui, and executive Director, was interested in approximately 1.34% of the issued share capital of Chinasoft Network Technology Company Limited (中軟網絡技術股份有限公司) ("CNTC") and also served as a director of CNTC. In addition, Mr. Cui Hui and Dr. Chen Yuhong were appointed as Senior Deputy Presidents of CNTC with effect from December, 2003. Although the Directors are of the view that the principal activities of CNTC do not directly compete with those of the Group currently, the Group and CNTC are also engaged in the provision of IT outsourcing.

Save as disclosed herein, none of the Directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

## **SPONSOR'S INTEREST**

As updated and notified by the Company's sponsor, Oriental Patron Asia Limited ("Oriental Patron"), neither Oriental Patron nor its directors, employees or associates had any interests in the share capital of the Company as at 31st March, 2004 pursuant to Rules 6.35 and 18.63 of the GEM Listing Rules.

Pursuant to the agreement dated 9th June, 2003 which was entered into between the Company and Oriental Patron, Oriental Patron has received and will receive a fee for acting as the Company's retained sponsor for the period from 20th June, 2003 to 31st December, 2005 or until the sponsor agreement is terminated upon the terms and conditions set out therein.

#### **AUDIT COMMITTEE**

The Company established an audit committee on 2nd June, 2003 with written terms of reference in compliance with the requirements as set out in Rules 5.28 and 5.30 of the GEM Listing Rules. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises the two independent non-executive directors, namely Mr. He Ning and Mr. Zeng Zhijie and a non-executive director, Dr. Chen Qiwei.

#### **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the three months ended 31st March, 2004.

#### **BOARD PRACTICES AND PROCEDURES**

The Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures during the three months ended on 31st March, 2004.

On behalf of the Board  
**Chen Yuhong**  
*Managing Director*

13th May, 2004, Beijing, PRC

*As at the date of this announcement, the Executive Directors of the Company are Dr. Chen Yuhong, Mr. Cui Hui and Mr. Peng Jiang; the Non-executive Directors are Mr. David Chiu, Mr. Liu Zheng and Dr. Chen Qiwei; the Independent non-executive Directors are Mr. He Ning and Mr. Zheng Zhijie.*

*This announcement will remain on the "Latest Company Announcements" page on the GEM website for at least 7 days from the date of its posting.*