

**XTEAM SOFTWARE INTERNATIONAL LTD :  
ONE OF THE SMALLEST LISTINGS TO DATE**

Putting a great deal of one's eggs into just one basket is never a good thing, for obvious reasons, but when a corporate entity relies on just a handful of customers, one of which begs for an extended payment schedule in order to settle its debts with the entity, then alarm bells should start to ring – and to ring loudly.

That is, exactly, the case in respect of Xteam Software International Ltd, a fairly new addition to the rolls of The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd.

Xteam Software produced its Placing Prospectus on November 30, 2001 when it went to The GEM in order to collect about \$HK18.43 million, gross, by Placing 57.60 million, one-cent New Shares at a Premium of not less than 31 cents per share.

At the same time, Princeton Venture Partners Ltd, a company, which is 50 percent owned by Mr Gary Ma Ming Fai, the Founder of the Xteam Software, and 50 percent owned by O2New Technology Ltd (Code: 94, Main Board, The Stock Exchange of Hongkong Ltd), took the opportunity to sell 28.80 million of that company's shares in Xteam Software on the same basis as the Share Placement of Xteam Software.

Xteam Software Placed its New Shares because, according the Prospectus, it wanted to raise about \$HK12.50 million, net of expenses, for the following purposes:

1. \$HK4 million for product development, or the making of an investment in another entity;
2. \$HK2 million to beef up the Company's distribution channels, or the making of an investment in another entity;
3. \$HK2.50 million to establish a laboratory for e-solution projects in Beijing, the People's Republic of China (PRC);
4. \$HK1 million to establish a Linux Training and Certification Programme in Beijing;
5. \$HK1.50 million to establish an office in Shanghai, the PRC;
6. \$HK700,000 for advertising and promotion of the Company; and,
7. \$HK800,000 to be used as addition Working Capital.

In case subscribers have not, yet, understood the aims and objects of Xteam Software, it classifies itself as being in the business of providing a *'Chinese Linux operating system with kernel\* rewritten to cater for Chinese users and software based on the Linux (\*) operating platform for various hardware appliances including servers and PCs (\*\*) in the PRC ...'*. (Page One of the Prospectus)

\* A 'kernel' is defined as being an essential centre of a computer operating system, the core that provides basic services for all other parts of the operating system.

(\*) Linux is a UNIX-like operating system, developed by Linus Torvalds in Finland.

(\*\*) PC is the acronym for Personal Computer, a micro-computer for personal use

Originally, the concept of this Company was to be an investment holding company, back in November 1999 when Sandysore Holdings Ltd was incorporated in the British Virgin Islands.

Latching onto the idea of being a Chinese software company, using Linux as its linchpin, Xteam Software managed to lose a great deal of money, relatively speaking, but, now, it would appear that there has been a upturn in the fortunes of the Company.

The trading record of this Company, since November 23, 1999, is as follows:

	Period from November 23, 1999 to March 31, 2001	Two Months ended May 31, 2001
	All Figures are Denominated in \$HK'000	
Turnover	19,671	7,038
Cost of Sales	(2,566)	(313)
Gross Profit	17,105	6,725
Other Income	432	5
Selling and Marketing Expenses	(10,111)	(586)
General and Administrative Expenses	(6,920)	(1,046)
Research and Development Costs	(6,976)	(3,010)
Provision for Bad and Doubtful Debts *	(2,862)	Nil
Profit/(Loss) from Operating Activities	(9,332)	2,088
Finance Costs	(166)	(25)
Profit/(Loss) from Ordinary Activities Attributable to Shareholders	(9,498)	2,063

\* Please read section: **The Risks ... And The Provisions** ... [CLICK TO ORDER FULL ARTICLE](#)

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