



**SING LEE SOFTWARE (GROUP) LIMITED**

**新利軟件(集團)股份有限公司 \***

*(incorporated in Bermuda with limited liability)*

**INTERIM RESULTS REPORT  
FOR THE SIX MONTHS ENDED  
30TH JUNE, 2002**

*\* For identification purposes only*

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

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*This report, for which the directors of Sing Lee Software (Group) 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 Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Sing Lee Software (Group) 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.*

## SECOND QUARTERLY RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

The board of Directors (“Board”) of Sing Lee Software (Group) Limited (the “Company”) announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three and six months ended 30th June, 2002, together with the unaudited comparative figures for the corresponding periods in 2001, as follow:

### CONSOLIDATED STATEMENT OF INCOME - UNAUDITED

		(Unaudited) Three months ended 30th June,		(Unaudited) Six months ended 30th June,	
	<i>Note</i>	2002 <i>Rmb'000</i>	2001 <i>Rmb'000</i>	2002 <i>Rmb'000</i>	2001 <i>Rmb'000</i>
Revenue	2	14,336	9,018	22,707	18,174
Cost of sales		(10,503)	(9,558)	(16,152)	(18,522)
Gross profit (loss)		3,833	(540)	6,555	(348)
Distribution costs		(4,954)	(650)	(8,434)	(822)
General and administrative expenses		(3,863)	(2,297)	(9,378)	(5,275)
Other operating income	3	2,838	0	3,305	0
Loss from operations		(2,146)	(3,487)	(7,952)	(6,445)
Finance costs		(220)	(366)	(330)	(619)
Loss before tax	4	(2,366)	(3,853)	(8,282)	(7,064)
Income tax expense	5	32	0	0	0
Loss after tax		(2,334)	(3,853)	(8,282)	(7,064)
Minority interests		0	0	0	480
Loss attributable to shareholders		(2,334)	(3,853)	(8,282)	(6,584)
Loss per share					
- Basic	6	<u>Rmb0.39 cents</u>	<u>Rmb0.85 cents</u>	<u>Rmb1.37 cents</u>	<u>Rmb1.45 cents</u>

## CONSOLIDATED BALANCE SHEETS

		(Unaudited) As at 30th June, 2002	(Audited) As at 31st December, 2001
	<i>Note</i>	<b>Rmb'000</b>	<b>Rmb'000</b>
<b>ASSETS</b>			
Non-current assets			
Property, plant & equipment, net		9,183	9,176
Intangible assets		5,723	2,728
		<u>14,906</u>	<u>11,904</u>
Current assets			
Inventories		10,608	7,513
Trade receivables, net	8	41,379	38,719
Deposits, prepayments and other receivables		12,653	13,276
Due from related parties		0	21
Cash and cash equivalents		35,114	60,093
		<u>99,754</u>	<u>119,622</u>
Total assets		<u><u>114,660</u></u>	<u><u>131,526</u></u>
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves			
Share capital		6,392	6,392
Reserves		67,914	79,292
		<u>74,306</u>	<u>85,684</u>
Current liabilities			
Trade payables	9	10,810	11,180
Accruals and other payables		2,557	1,383
Customers' deposits		4,299	6,820
Due to related parties		14	0
Bills payable		0	1,476
Short-term borrowings		13,000	11,000
Tax payable		8,337	12,112
Deferred income		1,337	1,871
		<u>40,354</u>	<u>45,842</u>
Total equity and liabilities		<u><u>114,660</u></u>	<u><u>131,526</u></u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY-UNAUDITED

	Share Capital (Unaudited) <i>Rmb'000</i>	Share premium (Unaudited) <i>Rmb'000</i>	Capital reserve (Unaudited) <i>Rmb'000</i>	Revenue reserve (Unaudited) <i>Rmb'000</i>	Cumulative translation adjustment (Unaudited) <i>Rmb'000</i>	Retained earnings/ (Accumulated losses) (Unaudited) <i>Rmb'000</i>	Total (Unaudited) <i>Rmb'000</i>
As at 1st January, 2001	106	0	3,930	3,104	0	4,666	11,806
Buy out of minority interests by majority shareholders	0	0	(480)	0	0	0	(480)
Dividend	0	0	0	0	0	(1,500)	(1,500)
Loss for six months ended 30th June, 2001	0	0	0	0	0	(6,584)	(6,584)
As at 30th June, 2001	<u>106</u>	<u>0</u>	<u>3,450</u>	<u>3,104</u>	<u>0</u>	<u>(3,418)</u>	<u>3,242</u>
As at 1st July, 2001	106	0	3,450	3,104	0	(3,418)	3,242
Issue of new shares	1,643	0	0	0	0	0	1,643
Premium on issue of ordinary shares, net of issues at nil consideration	0	74,593	0	0	0	0	74,593
Share issuance expenses	0	(10,828)	0	0	0	0	(10,828)
Capitalisation of share premium	4,643	(4,643)	0	0	0	0	0
Effect of reorganisation	0	0	(15)	0	0	0	(15)
Translation adjustment	0	0	0	0	5	0	5
Profit for six months ended 31st December, 2001	0	0	0	0	0	17,044	17,044
Profit appropriation to reserve fund	0	0	0	1,350	0	(1,350)	0
As at 31st December, 2001	<u>6,392</u>	<u>59,122</u>	<u>3,435</u>	<u>4,454</u>	<u>5</u>	<u>12,276</u>	<u>85,684</u>
As at 1st January, 2002	6,392	59,122	3,435	4,454	5	12,276	85,684
Dividend	0	0	0	0	0	(3,196)	(3,196)
Reclassification	0	0	(1,500)	0	0	1,500	0
Utilisation during the period	0	0	0	(47)	0	0	(47)
Translation adjustment	0	0	0	0	2	0	2
Reverse over-accrued share issuing expenses	0	145	0	0	0	0	145
Reverse over-accrued profit appropriation to reserve fund	0	0	0	(1,350)	0	1,350	0
Loss for six months ended 30th June, 2002	0	0	0	0	0	(8,282)	(8,282)
As at 30th June, 2002	<u>6,392</u>	<u>59,267</u>	<u>1,935</u>	<u>3,057</u>	<u>7</u>	<u>3,648</u>	<u>74,306</u>

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT-UNAUDITED

	(Unaudited)	
	Six months ended	
	30th June,	
	2002	2001
	<i>Rmb'000</i>	<i>Rmb'000</i>
Net cash inflow (outflow) from operating activities	(18,296)	(11,902)
Net cash inflow (outflow) from investing activities	(4,013)	(2,770)
Net cash inflow (outflow) from financing activities	(1,196)	13,100
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	(23,505)	(1,572)
Cash and cash equivalents at beginning of period	58,617	6,514
Effect of foreign exchange differences	2	0
	<hr/>	<hr/>
Cash and cash equivalents at end of period	35,114	4,942
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of Cash and Cash equivalents:		
Cash and bank	35,114	4,942
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. Basis of presentation and principal accounting policies

The Company was incorporated in Bermuda as an exempted company with limited liability on 27th October, 2000 under the Company Act 1981 of Bermuda. In preparation for the listing of the Company's shares on GEM, a group reorganization was effected whereby the Company became the holding company of the Group on 27th August, 2001. The shares of the Company (the "Shares") were listed on GEM on 5th September, 2001 (the "Listing Date").

All significant intra-group transactions and balances have been eliminated on consolidation.

The consolidated results have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on GEM.

The principal accounting policies and methods of computation adopted for the preparation of the interim financial statements are same and consistent with those adopted by the Group in its audited annual financial statements for the year ended 31st December, 2001.

## 2. Turnover

The Group is principally engaged in the development and sale of information and network technologies and services to the financial industry in Mainland China (the "PRC"). Turnover comprises the following:

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30th June,</b>		<b>30th June,</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>Rmb'000</b>	<b>Rmb'000</b>	<b>Rmb'000</b>	<b>Rmb'000</b>
Sales of software	<b>5,889</b>	3,426	<b>8,988</b>	8,036
Sales of hardware	<b>7,587</b>	4,691	<b>11,952</b>	8,240
Maintenance income	<b>860</b>	901	<b>1,767</b>	1,898
	<b>14,336</b>	9,018	<b>22,707</b>	18,174

## 3. Other operating income

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30th June,</b>		<b>30th June,</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>Rmb'000</b>	<b>Rmb'000</b>	<b>Rmb'000</b>	<b>Rmb'000</b>
Interest income from bank deposits	<b>195</b>	0	<b>361</b>	0
Value added tax refund	<b>2,643</b>	0	<b>2,944</b>	0
	<b>2,838</b>	0	<b>3,305</b>	0

According to Mainland China tax regulations, the Group's subsidiaries in PRC are subject to value added tax on its sales in Mainland China, which is levied at the general rate of 17% on the gross price upon sales of goods. Input value added tax paid on purchase of raw materials, semi-finished products, etc. is used to offset the value added tax payable on sales to determine the net value added tax payable.

Pursuant to document Caishui [2000] No. 25 issued by State Tax Bureau, effective from 24th June, 2000, for companies engaged in the development and distribution of software, their revenues from sale of software are subject to value added tax with applicable tax rate of 17% and are entitled to refund of any actual tax paid exceeding 3% of the revenues. The value added tax refund of the Group has been accounted for as other operating income.

#### 4. Loss before tax

Loss before tax was determined after charging the following:

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30th June,</b>		<b>30th June,</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>Rmb'000</b>	<b>Rmb'000</b>	<b>Rmb'000</b>	<b>Rmb'000</b>
Amortisation of intangible assets	66	0	89	0
Depreciation of property, plant & equipment	586	401	1,160	744
Provision for (written back of) doubtful receivables	(87)	(620)	864	(120)
Interest on bank loans wholly repayable within 5 years	132	366	234	618
	<u>132</u>	<u>366</u>	<u>234</u>	<u>618</u>

#### 5. Taxation

As the Group companies had no income assessable for profits tax in Bermuda or in Hong Kong for the six months ended 30th June, 2002 (the six months ended 30th June, 2001: Nil), no provision had been made for profits tax for both jurisdictions.

New and high technology enterprises that incorporated in the Advanced Technology Industry Development Area in Hangzhou City are entitled to reduced income tax of 15%. In addition, foreign investment enterprise of production nature are entitled to full exemption from income tax for two years with effect from its first profitable year after offsetting prior year's losses and a 50% reduction in income tax for the following three years.

There was no significant unprovided deferred taxation for the reported periods.

#### 6. Loss per share

The calculation of the Group's basic loss per share for the three months and six months ended 30th June, 2002 is based on the Group's unaudited consolidated loss attributable to shareholder of approximately Rmb2,334,000 and Rmb8,282,000 (2001: approximately Rmb3,853,000 and Rmb6,584,000 respectively) and the weighted average number of 603,000,000 shares (three and six months ended 30th June, 2001: 453,000,000 shares) in issue respectively.

Diluted loss per share has not been presented as there was no dilutive effect during the periods.

## 7. Dividend

- (a) Interim dividend attributable to the six months ended 30th June 2002

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2002 (six months ended 30th June 2001: Rmb1,500,000).

- (b) Dividend attributable to the previous financial year, declared, approved and paid during the six months ended 30th June 2002

	(Unaudited) Six months ended 30th June,	
	2002 <i>Rmb'000</i>	2001 <i>Rmb'000</i>
Final dividend in respect of the previous financial year of HK\$0.005 per share, declared, approved and paid during the six months ended 30th June 2002	<u>3,196</u>	<u>0</u>

## 8. Trade Receivables, net

	(Unaudited) As at 30th June, 2002 <i>Rmb'000</i>	(Audited) As at 31st December, 2001 <i>Rmb'000</i>
Within 90 days	15,438	30,785
Over 90 days but within 180 days	12,488	981
Over 180 days but within 365 days	9,531	5,080
Above 365 days	<u>6,073</u>	<u>3,160</u>
	43,530	40,006
Less: Provision for doubtful receivables	<u>(2,151)</u>	<u>(1,287)</u>
	<u>41,379</u>	<u>38,719</u>

The normal credit period granted by the Group is on average 30 to 90 days from the date of invoice.

## 9. Trade Payables

	(Unaudited) As at 30th June, 2002 <i>Rmb'000</i>	(Audited) As at 31st December, 2001 <i>Rmb'000</i>
Within 90 days	8,589	10,310
Over 90 days but within 180 days	1,774	283
Over 180 days but within 365 days	0	90
Above 365 days	<u>447</u>	<u>497</u>
	10,810	11,180

## 10. Commitments

As of 30th June, 2002 the Group did not have any significant authorised or contracted capital commitments (31st December 2001: nil).

## 11. Related party transactions

The Group has the following significant related party transactions during the periods under review:

		<b>(Unaudited)</b>	
		<b>Six months ended</b>	
		<b>30th June,</b>	
		<b>2002</b>	<b>2001</b>
		<b>Rmb'000</b>	<b>Rmb'000</b>
Rental to Hangzhou Singley Electronics Company Limited for lease of office premises	(i)	97	97
Rental to Hangzhou Singley Electronics Company Limited for lease of motor vehicles	(i)	84	120
Rental to Sing Lee Pharmaceutical Import & Export Co., Limited for lease of office premises	(ii)	171	0
		<u>          </u>	<u>          </u>
		<b>(Unaudited)</b>	<b>(Audited)</b>
		<b>As at</b>	<b>As at</b>
		<b>30th June,</b>	<b>31st December,</b>
		<b>2002</b>	<b>2001</b>
		<b>Rmb'000</b>	<b>Rmb'000</b>
Due from (to) Goldcorp Industrial Limited	(iii)	<u>          </u>	<u>          </u>
		<b>(14)</b>	<b>21</b>

- (i) Hangzhou Singley Electronics Company Limited is a sino-foreign equity joint venture registered in Mainland China. It is indirectly owned by Mr. Hung Yung Lai and Ms Li Kei Ling.
- (ii) Sing Lee Pharmaceutical Import & Export Co., Limited is a company equally owned by Mr. Hung Yung Lai and Ms Li Kei Ling.
- (iii) Goldcorp Industrial Limited is the holding company of the Company and is equally owned by Mr. Hung Yung Lai and Ms Li Kei Ling.

## **BUSINESS REVIEW AND OUTLOOK**

### **ORGANISATION INNOVATION**

Upon the listing on 5th September, 2001, the Group made an in-depth analysis on the financial (including banking, securities) industry, market and customer structure, product life cycle, staff structure and competitors in the PRC, and meticulously designed the Enterprise Strategic Development & Structure Re-engineering Plan, which includes motivation mechanism, quantitative allocation system, real-time appraising system, competitive promotion system, elimination system, establishment of in vivo and in vitro expertise library. The plan has been successfully operated in the first half year of 2002.

Basing on the above, the Group carried out an overall integration of resources, professional optimising, concentration, motivation mechanism, implementation of elimination system, focussing its strengths for the in-depth professional development, and radically promoted technological innovation, service innovation and product innovation. Up to 30th June, 2002, rationalisation of human power, finance and materials have been overall taking place.

In accordance with the overall operating situation of the Group and the industrial environment cycle of the banking and securities industry in the PRC, on the existing foundation of Hangzhou Singlee Software Company Limited prior to the listing, the Group has newly established two wholly-owned subsidiaries, Hangzhou Singlee Technology Company Ltd. and Singlee Software (Zhuhai) Company Ltd., and further concentrated in the integration of the projects, product lines and market orientation of the securities and financial business.

The conventional market where the Group originally operated is characterised by low profits and very keen competition. Therefore, the Group needed to enhance its position in the software product chain, and actively sought for new profit growth points in the market, performed research and development for key products, strengthened management on software production process to enhance efficiency. Under this situation, the Group has established the new Singlee Software (Zhuhai) Company Ltd., which specialised in engaging in the construction of integrated business platform of non-core system of banking software, including Bank Card Order Placement System (銀證通), Bank Financial Management System (銀證理財) which are highly welcome in the market. In this way, Hangzhou Singlee Software Company Limited has been able to further promote the development of the securities core business, focus on the structure of large software projects and project management, strengthen international cooperation, purchase corresponding modeling tools (RUP) to gradually set up centralised logic unit and enhance the software contents of the products. At the same time, Hangzhou Singlee Technology Company Limited is also engaged in the construction of Electronic Payment Platform in the PRC.

## INDUSTRY ANALYSIS AND BUSINESS REVIEW

### **In respect of securities business:**

The PRC Securities IT industry is currently undergoing transformation. The software suppliers who were originally taking the operating department as its target of service, have gradually switch to order for the right of purchase on the overall planning of IT systems with the head-office as the core starting from this year, so as to strengthen its competitiveness, reduce cost, enhance efficiency and slash intermediary management segments. At the same time, the PRC securities industry is undergoing reduction in transaction volume and brokerage commission, re-organisation, and changes in transaction rules. Under such situation, the Group considers that the conventional transaction system product facing the operating department will be gradually eliminated, and that there will be two changes to software products:

1. Facing with the changes from a single operating department to regional and national unification, the Group has specially and successfully carried out the R&D of the core products of all the above three levels, from the single operating department product ALLWEB, UNICORN to the Integrated Securities Information Platform. Of these, the UNICORN is an exclusive product in the whole nation.
2. With the transformation from a supplier of software products and its peripheral products to a supplier of overall IT solution and service, the original software suppliers have to face hundreds and thousands of operating departments, and are therefore able to classify the customer structure with the corresponding related products. In the years to come, the number of dealers will reduce drastically, and each dealer will request for personalised IT solution and service.

During the process of the above transformation, Hangzhou Singlee Software Company Limited has set up an Engineering Customer Service Department, and rationalised the working relationship between engineering and service, implemented a shift system in the customer service centre and engineering department, responsibility system on customer service in the engineering department, upgraded feed-back mechanism of engineering staff on technical problems, and is currently making research on the system framework, development and project management of large software engineering projects.

In the first half of this year, due to the above integration, in addition to product renewals, it has objectively resulted in the high operating cost of Hangzhou Singlee Software Company Limited. At the same time, under the impact of the overall environment, orders for new products are less than expected. However, the Group is confident that product quality will be enhanced steadily in the second half of the year, and customer service will be more acceptable by the market, cash inflow will increase and there will be considerable reduction in the costs.

### **In respect of banking business:**

Since its reorganisation, Hangzhou Singlee Technology Company Limited has been focussed on the construction of large Electronic Payment Platforms in the PRC, with its market share in Wireless POS ranking No. 1 in the PRC. Among these, its market share of Wireless POS is 60%, and that of wireless network gateway is 80%. Accordingly, the Group believes that there will be significant growth in the turnover and profits of banking business in the second half year.

Since its operations, the sales of Singlee Software (Zhuhai) Company Ltd. has been growing steadily. The Zhuhai company shall Complete the stable new generation Bank Card Order Placement System and Bank Financial Management System by the end of October this year, and shall gradually include functional modules of new share subscription, pledging of stocks and open fund into such systems. The systems will adopt a multiple structure, with a unified base layer, independent and replaceable business logic layer, providing business logic modules for different securities counters and different banking systems. Through the above deployments, the Zhuhai company shall shorten its initial production period, reduce work-load, simplify maintenance and upgrading procedures, thereby enabling the core technology of the new generation Bank Card Order Placement System to become the basic technology for the Group to step into the insurance and social insurance sectors.

### **MARKET DEVELOPMENT**

In April 2002, the Group took part in The China Securities Information Technology Forum 2002 and New Products of Securities IT Systems Exhibition, and the new products of the Group have successfully attracted the attention of China Securities Regulatory Commission and IT experts from many brokerage firms. In addition, at the forum of 「券商業務與技術的無縫銜接」, held in collaboration with our business partners in Beijing, we were able to share and exchange views on some important issues with many local and international IT counterparts. The directors believed that the Group's sales in the second half would benefit from these efforts.

On 9 April, 2002, the Group, together with its IT partners HP, Oracle and BEA, and two financial institutions, held a new generation product launch presentation in Hong Kong, putting in spotlight three innovative application solutions: Integrated Securities Infrastructure Platform, Unicorn and Electronic Payment Platform, with the aim that financial securities companies in the PRC may have enhance their operation level and service quality more effectively and reduce their costs.

## **RESEARCH AND DEVELOPMENT**

During the period, much of the Group's energy and resources were placed on the developments of products which were destined to gain market acceptance. These products primarily include "Integrated Securities Infrastructure Platform", "Unicorn", "Securities Transaction Backup System", "Personal Banking Integrated System" and enhanced version of "Bank Card Order Placement System".

Upon analysis on the demands of some of the products as disclosed in the prospectus of the Group, including "Banking CRM Solutions" and "Brokerage CRM Solutions", the Group considers that market situation and demands for such products were uncertain, and therefore has decided to prolong the market research cycle for these products. (Please see section under "Review of Business Objectives" in this interim report for details.)

## **FUTURE OUTLOOK**

As our major customers are confined to participants in the financial industry (banking, securities) of the PRC, it is vital for the Group to understand the specific purchasing strategy and behaviour of customers and to be able to meet their requirements. Although the Group recorded some losses for the first half, the directors would like to remind investors of the cyclical characteristics of the Group's business performance. It usually was in the second half of the year, when the bulk of the Group's orders was received or completed.

On 24th June, 2002, the subdued securities markets in PRC received a big boost from the relevant policy-making departments of the Chinese government. With the anticipated announcements of further favourable policies, there was good reasons to believe that the period of market consolidation has come to an end. Together with the completion of many reorganisation exercises of brokerage firms, the Group can see new opportunities for its securities application solution business.

# REVIEW OF BUSINESS OBJECTIVES

**Objectives up to 30th June, 2002  
as stated in the prospectus dated  
30th August, 2001**

**Actual business progress up to  
30th June, 2002**

## **1. ALLWEB banking solution**

- I. Bank CRM solution
  - (i) complete the system development of ALLWEB Bank Customer Service Centre
  - (ii) full launch of ALLWEB Bank Customer Service Centre
  - (iii) complete the system development of ALLWEB Bank Customer Information Analysis System
  - (iv) full launch of ALLWEB Bank Customer Information Analysis System
  - (v) complete the requirement analysis of ALLWEB Bank Information Business Decision System
  
- II. Bank financial management system
  - (i) full launch of bank card order placement system for Bank-Securities Finance Management System
  - (ii) system upgrade for Bank-Securities Finance Management System
  - (iii) complete the entire system development of Bank-Insurance Finance Management System
  - (iv) trial marketing of Bank-Insurance Finance Management System
  - (v) enhance the existing function of Bank-Fund Finance Management System

- I. The Group considered that the market demand for this project remained uncertain. Hence, it was decided that the progress on the system development would be delayed in accordance with the market conditions.
  
- II. The Group launched bank card order placement system ahead of the schedule. It is now undergoing research and development on the integrated upgrade version for the system. Following the integration, the system platform will be applied uniformly in the bank finance management series, including Bank Securities Finance Management System, Bank Insurance Financial Management System and Bank Fund Finance Management System. Trial sales for the Bank Insurance Finance Management System will be delayed in accordance with the market conditions.

III. Bank account manager system

- (i) launch Bank IC Card Application System targeting retail customers at commercial banks for electronic payment
- (ii) develop POS Application System on the ALLWEB platform and full launch of multiple bank POS Application Systems

IV. Bank supervision system

Full launch of Bank Internal Audit System.

**2. ALLWEB securities solution**

I. Brokerage CRM solution

- (i) full launch of ALLWEB brokerage Customer Service Centre
- (ii) full launch of ALLWEB Brokerage Customer Information Centre and product test trial of ALLWEB Brokerage Customer Information Decision System with selected brokerage customers
- (iii) complete the entire Brokerage CRM Solution

II. ALLWEB Enterprise Securities Transaction System

Launch upgraded version and complete new system design based on Unix and Oracle systems.

**3. ALLWEB electronic financial service platform**

- I. complete the system development of the core electronic trading function of the platform

III.

- (i) Bank IC Card Application System was launched ahead of the schedule.

- (ii) Development was completed.

IV.

Marketing activities were conducted for the Bank Internal Audit System.

I.

The Group considered that the market demand for this project remained uncertain. Hence, it was decided that the progress on the system development would be delayed in accordance with the market conditions.

II.

Enterprise Securities Transaction System was successfully upgraded. A new system based on UNIX and Oracle is now being designed. It is expected that such system will be developed jointly with ALLWEB electronic financial service platform.

I.

System development of the electronic trading function of the platform is now undergoing.

- I. full launch of Electronic Securities Trading, Electronic Banking, Wireless Financial Management Systems and Family Financial Management System based on cable network
- II. Electronic Securities Trading, Electronic Banking, Wireless Financial Management Systems were fulfilled in the first phase of development with products already launched. Upon refinement, Family Financial Management System was temporarily suspended as a result of insufficient market demand. Resumption for the same will depend on the market condition.

#### **4. Business development & information network**

- I. to complete the second stage of construction of the Group's internal information network infrastructure
- I. The construction of the internal information network was successfully completed.

#### **5. Marketing & promotion**

- I. to participate in the PRC securities products exhibitions
- I. The Group participated The China Securities Information Technology Forum 2002 and New Products of Securities IT Systems Exhibition.

#### **6. CMM**

- I. evaluation by the selected CMM appraisal agency
- I. In February 2002, the chief R&D officer of the Group, the general manager of Hangzhou Singlee Software Company Limited and the chief investment officer of the Group visited India to make an inspection and appraisal on the organisation of CMM, and has initially selected several potential candidates, pending further confirmation.
- II. In June 2002, the Group purchased the modeling tools (RUP) for the implementation of the main system of CMM, and the construction of the system modeling is under preparation.
- III. The setting up of CMM project by Singlee Software (Zhuhai) Company Ltd. has been basically completed, and appraisal shall be commenced in the next step.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial review**

The Group is principally engaged in the development and sale of information and network technologies and services to the financial industry in Mainland China (the “PRC”).

The Group recorded an unaudited consolidated turnover of approximately Rmb22.7 million for the six months ended 30th June, 2002, the “reported period”, representing an increase of approximately 25% over the corresponding period last year (six months ended 30th June, 2001: Rmb18.2 million).

Gross profit margin for the reported period improved to 28.9% as compared to (1.9)% in the corresponding period in 2001. The improvement was due to some development costs incurred during the reported period have been capitalised (six months ended 30th June, 2001: Nil), and certain expenses incurred by the sales team following recent internal streamlining are identifiable as distribution cost (six months ended 30th June, 2001: they were included in cost of sales).

Loss attributable to shareholders for the six months ended 30th June, 2002 was enlarged to approximately Rmb8.3 million as compared to approximately Rmb6.6 million in the corresponding period in 2001. The enlarged loss was mainly caused by increase in manpower costs for the enhanced sales network, rise in average wages and increase in administrative cost following listing.

### **Liquidity, financial resources and debt ratio**

Aggregate outstanding borrowings of the Group as at 30th June, 2002 were Rmb13.0 million (31st December, 2001: Rmb11.0 million), representing short term bank loans all repayable within one year. The Group does not have any committed bank facilities as at 30th June, 2002.

The debt ratio (defined as total liabilities over total assets) of the Group as at 30th June, 2002 was approximately 35% (31st December, 2001: 35%).

No interest was capitalized by the Group during the reported period (six months ended 30th June, 2001: nil).

### **Capital structure, exposure to exchange rates fluctuation**

As at 30th June, 2002 all of the Group’s bank borrowings of Rmb13.0 million were denominated in Renminbi. All such bank borrowings were at fixed interest rates during the term of the loan, and bore interest ranging from 5.04% to 5.54% per annum.

As at 30th June, 2002 the Group held cash and cash equivalents denominated in Hong Kong Dollars, US Dollars and Renminbi.

During the reported period, the Group’s operations were funded mainly by internal resources.

Substantially all of the revenue-generating operations of the Group are transacted in Renminbi, which is not freely convertible into foreign currencies. The Group had prudent policy to manage currency and interest rate exposures, and as most of the Group's monetary assets and liabilities are denominated in Renminbi, US Dollars and Hong Kong Dollars, the exchange rate risks of the Group is considered minimal.

### **Financial instruments**

The carrying amounts of the Group's cash and cash equivalents, trade and receivables and payable, other receivable and payable, borrowings and balances with related parties approximate their fair values because of the short maturity of these instruments.

The Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuations.

### **Prospects of new products**

Please refer to sections on organization innovation, industry analysis and business review, research and development, market development and future outlook.

### **Significant investment, acquisitions and disposals of subsidiaries and affiliated companies**

Other than the establishment of an indirectly wholly owned subsidiary, Singlee Software (Zhuhai) Company Limited, the Group did not have significant investments or material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30th June, 2002.

### **Segmental information**

The Group conducts its business in Mainland China within one business segment and within one geographical segment. Please refer to sections on business review, research and development, market development and sales and future outlook for a discussion on industry and market conditions, as well as new products introduced. Accordingly, no segment information is presented.

### **Staff**

As at 30th June, 2002 the Group employed 341 employees (31st December, 2001: 400) at market remuneration with employee benefits such as defined contribution retirement schemes, employee share option scheme and medical coverage. Total staff costs for the reported period were approximately Rmb10 million.

### **Charge on assets**

The Group did not have any charge on its asset.

## Future plans for material investments and expected source of funding

Details of the Group's future plans for material investments or capital assets and their expected source of funding have been stated in the Company's prospectus dated 30th August, 2001 under the sections headed "Statement of Business Objectives" and "Reasons for the New Issue and Use of Proceeds" respectively. Progress of these has been dealt with in sections headed "Comparison of Use of Proceeds" and "Review of Business Objectives" in this interim report. Other than those disclosed, the Group did not have any plan for material investments or capital assets.

## Contingent liabilities

As at 30th June, 2002 the Group did not have any material contingent liabilities (31st December, 2001: nil).

## COMPARISON OF USE OF PROCEEDS

The net proceeds raised from the public listing on 5th September, 2001 were approximately HK\$61.9 million. The proceeds had been applied to achieve the business objectives as set out in the prospectus dated 30th August, 2001 and are detailed below:

	Use of proceeds as stated in the prospectus <i>HK\$'million</i>	Actual amount utilized up to 30th June, 2002 <i>HK\$'million</i>
Research and development of new products and technologies	25.0	9.0
Sales, marketing and promotion	7.5	1.9
Expansion of regional offices, implementation of CMM and enhancement of internal information network infrastructure	5.5	1.2
Repayment of bank loans and other borrowing (i)	8.3	12.1
Repayment of shareholder's loan	4.2	4.2
General working capital	11.4	9.5
Placed with banks	0.0	24.0

Unused net proceeds of approximately HK\$24.0 million have been placed with licenced banks in Hong Kong and PRC, and would be used to achieve objectives as stated in the prospectus.

(i) The excess utilization is attributable to the Group's decision to decrease its debt level.

## SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2002, the register required to be kept by the Company under Section 16(1) of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) shows that shareholders interested in 10% or more of the issued share capital of the Company were as follows:

	<b>Number of ordinary shares</b>	<b>Percentage of beneficial interest in the Company’s issued share capital</b>
Goldcorp Industrial Limited	306,000,000 ( <i>note 1</i> )	50.7%
Great Song Enterprises Limited	306,000,000 ( <i>note 2</i> )	50.7%
Mr. Hung Yung Lai	306,000,000 ( <i>note 2</i> )	50.7%
Ms. Li Kei Ling	306,000,000 ( <i>note 3</i> )	50.7%

### *Notes:*

1. Goldcorp Industrial Limited is a company incorporated in the British Virgin Islands equally owned by Mr. Hung Yung Lai and Great Song Enterprises Limited which in turn is wholly owned by Ms Li Kei Ling.
2. The Shares were held by Goldcorp Industrial Limited.
3. Ms. Li Kei Ling controls more than one third of the voting power of Great Song Enterprises Limited which in turn holds more than one third of the voting power of Goldcorp Industrial Limited. Ms Li Kei Ling is deemed, by virtue of the SDI Ordinance, to be interested in the same 306,000,000 shares held by Goldcorp Industrial Limited.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30th June, 2002, the beneficial interests of the Directors and Chief Executives in the equity or debt securities of the Company and its associated corporations (within the meaning of the SDI Ordinance), recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Exchange pursuant to minimum standards of dealing by Directors as refer to in rules 5.40 to 5.59 of the GEM Listing Rule were as follows:

### Shares in the Company:

Name of directors	Number of ordinary shares			Other interests
	Personal interests	Family interests	Corporate interests	
Mr. Hung Yung Lai	Nil	Nil	306,000,000 <i>(note 1)</i>	Nil
Ms. Li Kei Ling	Nil	Nil	306,000,000 <i>(note 1)</i>	Nil

### Shares in associated corporation:

Name of directors	Number of ordinary shares in Goldcorp Industrial Limited <i>(note 2)</i>			
	Personal interests	Family interests	Corporate interests	Other interests
Mr. Hung Yung Lai	1	Nil	Nil	Nil
Ms Li Kei Ling	Nil	Nil	1 <i>(note 3)</i>	Nil

#### Notes:

1. The Shares were held by Goldcorp Industrial Limited, a company equally owned by Mr. Hung Yung Lai and Great Song Enterprises Limited which in turn is wholly owned by Ms. Li Kei Ling. Mr. Hung Yung Lai controls more than one third of the voting power of Goldcorp Industrial Limited. Ms. Li Kei Ling controls more than one third of the voting power of Great Song Enterprises Limited which in turn holds more than one third of the voting power of Goldcorp Industrial Limited. Mr. Hung Yung Lai and Ms. Li Kei Ling are deemed, by virtue of the SDI Ordinance, to be interested in the same 306,000,000 shares held by Goldcorp Industrial Limited.
2. The entire issued capital of Goldcorp Industrial Limited as of 30th June, 2002 was composed of 2 ordinary shares. Goldcorp Industrial Limited held 306,000,000 Shares in the Company.
3. The share was held by Great Song Enterprises Limited which is a company wholly owned by Ms Li Kei Ling.

Save as disclosed above, as at 30th June, 2002 none of the directors, chief executives, or their respective associates had any beneficial interests in the equity or debt securities of the Company or its associated corporations as recorded in the register required to be kept under section 29 of the SDI Ordinance or which, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## Options to subscribe for shares in the Company:

Pursuant to the share option scheme for employees which was adopted on 27th August, 2001, the Directors may at their discretion grant options to employees and directors of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated in the share option scheme. The maximum number of ordinary shares in respect of which options may be granted under the share option scheme shall not exceed 30% of the issued share capital of the Company from time to time.

The Company granted options on 8th April, 2002 to 163 employees (including three executive directors) to subscribe for 60,230,000 shares of the Company at exercise price of HK\$0.614 per share.

Details of the share options granted to directors and chief executive and options outstanding as at 30th June, 2002 were as follows:

Name of directors and chief executives	Options in the Company			As at 30th June, 2002	Date of grant	Exercise period	Exercise price per share
	Granted during the period <i>(note 1)</i>	Exercised during the period	Lapsed during the period				
Duan Patrick	3,800,000	0	0	3,800,000	8th April, 2002	7th September, 2002 to 7th April, 2012	HK\$0.614
Cui Jian	3,180,000	0	0	3,180,000	8th April, 2002	7th September, 2002 to 7th April, 2012	HK\$0.614
Li Kei Ling	2,300,000	0	0	2,300,000	8th April, 2002	7th September, 2002 to 7th April, 2012	HK\$0.614

Details of share options granted to employees (other than directors) and outstanding as at 30th June, 2002 were as follows:

	Options in the Company			As at 30th June, 2002	Date of grant	Exercise period	Exercise price per share
	Granted during the period <i>(note 1)</i>	Exercised during the period	Lapsed during the period <i>(note 2)</i>				
Continuous Contract Employees (other than Directors)	50,950,000	0	2,860,000	48,090,000	8th April, 2002	7th September, 2002 to 7th April, 2012	HK\$0.614

### Notes:

- At the trading date immediately before the options were granted, on 4th April 2002, the closing price per Share was HK\$0.58.
- 2,860,000 share options were lapsed following the cessation of employment of certain grantees.

The Directors consider it inappropriate to value the options as a number of factors critical for the valuation cannot be determined accurately. Any valuation of the options based on various speculative assumptions would be meaningless and misleading. Therefore the Directors believed that the cost for disclosing the value of options do not justify for the benefits it provides.

Save as disclosed above, at no time during the six months ended 30th June, 2002 was the Company or its subsidiaries a party to any arrangements to enable the directors or chief executives of the Company, their respective spouse and children under 18 to acquire benefits by means of acquisition of shares in the Company.

## **MANAGEMENT SHAREHOLDERS**

Save for the Directors, management shareholders and substantial shareholders as herein disclosed, the Directors are not aware of any persons who as at 30th June, 2002 were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and who were able, as a practical matter, to direct or influence the management of the Company.

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

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30th June, 2002.

## **COMPETING INTERESTS**

None of the Directors, the management shareholders of the Company and their respective associates (as defined in GEM Listing Rules) has an interest in a business, which competes or may compete with the businesses of the Company.

## **BOARD PRACTICES AND PROCEDURES**

During the six months ended 30th June, 2002 the Company was in compliance with Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

## **AUDIT COMMITTEE**

The Company established an audit committee on 27th August, 2001 with written terms of reference in compliance with the requirements of Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the board of directors. The audit committee comprises two members, namely Professor Wang Gui Guo (independent non-executive director) and Professor Pan Yun He (independent non-executive director). The chairman of the audit committee is Professor Wang Gui Guo.

The audit committee has reviewed this unaudited quarterly results for the six months ended 30th June, 2002.

## **INTEREST OF SPONSOR**

Core Pacific-Yamaichi Capital Limited (the “Sponsor”) has entered into a sponsorship agreement with the Company whereby, for a fee, the Sponsor will act as the Company’s continuing sponsor for the purpose of Chapter 6 of the GEM Listing Rules for the remaining period up to 31st December, 2003.

Saved as disclosed above, to the best knowledge of the Sponsor, neither the Sponsor nor its directors or employees or associates, as at 30th June, 2002, had any interests in the 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.

By Order of the Board  
**Hung Yung Lai**  
*Chairman*

Hong Kong, 14th August, 2002

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