



**SING LEE SOFTWARE (GROUP) LIMITED**

**新利軟件(集團)股份有限公司\***

*(incorporated in Bermuda with limited liability)*

**QUARTERLY RESULTS REPORT  
FOR THE NINE MONTHS ENDED  
30TH SEPTEMBER, 2002**

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

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

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

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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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.*

### THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30TH SEPTEMBER, 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 nine months ended 30th September, 2002, together with the unaudited comparative figures for the corresponding periods in 2001, as follow:

#### CONSOLIDATED STATEMENT OF INCOME - UNAUDITED

|  | <i>Note</i> | (Unaudited)<br>Three months ended<br>30th September, |                        | (Unaudited)<br>Nine months ended<br>30th September, |                         |
|--|-------------|--|------------------------|---|-------------------------|
|  |             | 2002<br><i>Rmb'000</i>                               | 2001<br><i>Rmb'000</i> | 2002<br><i>Rmb'000</i>                              | 2001<br><i>Rmb'000</i>  |
| Revenue                                    | 2           | 20,388   | 20,426                 | 43,095  | 38,600                  |
| Cost of sales                              |             | (14,373)   | (11,208)               | (30,525)  | (29,730)                |
| Gross profit (loss)                        |             | 6,015  | 9,218                  | 12,570  | 8,870                   |
| Distribution costs                         |             | (4,004)  | (575)                  | (12,438)  | (1,396)                 |
| General and administrative expenses        |             | (4,599)  | (4,437)                | (13,977)  | (9,712)                 |
| Other operating income                     | 3           | 1,310  | 96                     | 4,615   | 108                     |
| Profit (loss) from operations              |             | (1,278)  | 4,302                  | (9,230)   | (2,130)                 |
| Finance costs                              |             | (125)  | (332)                  | (454)   | (964)                   |
| Profit (loss) before tax                   |             | (1,403)  | 3,970                  | (9,684)   | (3,094)                 |
| Income tax expense                         | 4           | 0  | 0                      | 0   | 0                       |
| Profit (loss) after tax                    |             | (1,403)  | 3,970                  | (9,684)   | (3,094)                 |
| Minority interests                         |             | 0  | 0                      | 0   | 480                     |
| Profit (loss) attributable to shareholders |             | (1,403)  | 3,970                  | (9,684)   | (2,614)                 |
| Earnings (loss) per share                  |             |  |                        |   |                         |
| - Basic                                    | 5           | <u>Rmb (0.23) cents</u>                              | <u>Rmb 0.8 cents</u>   | <u>Rmb (1.61) cents</u>                             | <u>Rmb (0.56) cents</u> |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY-UNAUDITED

|   | Share<br>Capital<br>(Unaudited)<br><i>Rmb'000</i> | Share<br>premium<br>(Unaudited)<br><i>Rmb'000</i> | Capital<br>reserve<br>(Unaudited)<br><i>Rmb'000</i> | Revenue<br>reserve<br>(Unaudited)<br><i>Rmb'000</i> | Cumulative<br>translation<br>adjustment<br>(Unaudited)<br><i>Rmb'000</i> | Retained<br>earnings/<br>(Accumulated<br>losses)<br>(Unaudited)<br><i>Rmb'000</i> | Total<br>(Unaudited)<br><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<br>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<br>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<br>shares, net of issues<br>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)                                   |
| Profit for three months ended<br>30th September, 2001                         | 0   | 0   | 0   | 0   | 0  | 3,970   | 3,970                                  |
| As at 30th September, 2001  | <u>6,392</u>                                      | <u>59,122</u>                                     | <u>3,435</u>  | <u>3,104</u>  | <u>0</u>   | <u>552</u>  | <u>72,605</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<br>issuing expenses                                | 0   | 145   | 0   | 0   | 0  | 0   | 145                                    |
| Reverse over-accrued profit<br>appropriation to reserve fund                  | 0   | 0   | 0   | (1,350)   | 0  | 1,350   | 0                                      |
| Loss for six months ended<br>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>                          |
| As at 1st July, 2002  | 6,392   | 59,267  | 1,935   | 3,057   | 7  | 3,648   | 74,306                                 |
| Translation adjustment  | 0   | 0   | 0   | 0   | (1)  | 0   | (1)                                    |
| Loss for three months ended<br>30th September, 2002                           | 0   | 0   | 0   | 0   | 0  | (1,403)   | (1,403)                                |
| As at 30th September, 2002  | <u>6,392</u>                                      | <u>59,267</u>                                     | <u>1,935</u>  | <u>3,057</u>  | <u>6</u>   | <u>2,245</u>  | <u>72,902</u>                          |

# NOTES

## 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 third quarterly financial statements are 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>Nine months ended</b> |                |
|                    | <b>30th September,</b>    |                | <b>30th September,</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>8,266</b>              | 12,256         | <b>17,254</b>            | 20,292         |
| Sales of hardware  | <b>10,867</b>             | 7,630          | <b>22,819</b>            | 15,870         |
| Maintenance income | <b>1,255</b>              | 540            | <b>3,022</b>             | 2,438          |
|                    | <b>20,388</b>             | 20,426         | <b>43,095</b>            | 38,600         |

### **3. Other operating income**

This was mainly PRC value added tax refund and PRC income tax refund. 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. Taxation**

As the Group companies had no income assessable for profits tax in Bermuda or in Hong Kong for the nine months ended 30th September, 2002 (the nine months ended 30th September, 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.

New and high technology enterprises that incorporated in the Zhuhai Economic Zone are entitled to reduce 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.

### **5. Earnings (loss) per share**

The calculation of the Group's basic earnings (loss) per share for the three months and nine months ended 30th September, 2002 is based on the Group's unaudited consolidated profit (loss) attributable to shareholder of approximately Rmb(1,403,000) and Rmb(9,684,000) (2001: profit of approximately Rmb3,970,000 and loss of approximately Rmb(2,614,000) respectively) and the weighted average number of 603,000,000 shares (three and nine months ended 30th September, 2001: 495,391,300 shares and 467,233,600 shares) in issue respectively.

Diluted earnings (loss) per share has not been presented as the exercise of share option would have an anti-dilutive effect during the periods.

## 6. Dividend

- (a) Interim dividend attributable to the three and nine months ended 30th September, 2002

The Board does not recommend the payment of an interim dividend for the three and nine months ended 30th September, 2002.

A dividend of Rmb1,500,000 was declared and paid to the then owners/shareholders of subsidiaries of the Company during the nine months ended 30th September, 2001 before listing of the shares of the Company on GEM.

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

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

## 7. Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation.

# BUSINESS REVIEW AND OUTLOOK

## FINANCIAL REVIEW

During the nine months ended 30th September, 2002 ("the reported period") the Group serves in the financial software industry in the PRC. Its customers are securities companies and commercial banks. Among these, the profit margins of securities companies have dropped due to keen competition from abolition of fixed rate of commission chargeable on securities trading and adverse condition in the securities market. This has a direct adverse impact on the sales of the Group's securities application solutions. Potential customers who originally prepared to purchase large products postponed their orders.

In this regard, the Group recorded an unaudited consolidated turnover for the nine months ended 30th September, 2002 of approximately Rmb43.1 million, representing a rise of 12% compared with corresponding period in 2001.

Gross profit margin for the reported period improved to approximately 29% as compared to 23% of the corresponding period in 2001. The improvement was due to some development costs incurred during the reported period have been capitalized (2001: nil), and certain expenses incurred by the sales team following recent internal streamlining are identifiable as distribution cost (2001: they were included in cost of sales). This explained the increase in distribution cost.

Loss attributable to shareholders for the reported period was enlarged to approximately Rmb9.7 million as compared to approximately Rmb2.6 million of the corresponding period in 2001. The enlarged loss was mainly caused by increase in manpower costs and administrative cost following listing.

## **BUSINESS REVIEW**

### **Singlee Software (Zhuhai) Co., Ltd. (“Singlee Zhuhai”)**

In view of Singlee Zhuhai’s excellent performance in its collaboration to provide Bank Card Order Placement System (銀證通) service, the Head office of Shanghai Pudong Development Bank decided to appoint Singlee Software (Zhuhai) Co., Ltd. as the sole software developer and provider for centralization of data processing facilities.

### **Hangzhou Singlee Technology Co., Ltd. (“Singlee Technology”)**

Singlee Technology carried out upgrading the Intranet for 16 commercial banks in Chongqing, as well as the “Decentralized Module for Multi-Bank POS Sharing Upgrade”. The existing sharing system has been upgraded and can accomplish the following functions: 1. All “銀聯” cards issued by different commercial banks throughout the PRC will be applicable at the POS at Chongqing; 2. To apply intelligent management on POS applications so that certain parameters will be remotely downloaded automatically; 3. After completion of development at the end of October, it will be promoted in more than ten cities implementing the decentralized module.

The pilot run for the new product VeriFone3750 POS System of the Singlee Technology has been successful in The Industrial and Commercial Bank of China Anhui Branch, with the latter becoming our first user of this product in the PRC. We enabled wireless POS system by communicating with CDPD mode in The Industrial and Commercial Bank of China Shanghai Branch. It was proven a step forward for the Company’s achievement in wireless POS.

Messages service platform (短信服務平台), a new product of Singlee Technology, carried out first trial run in the Everbright Bank of China, Hefei Branch. It was developed successfully in Everbright Bank of China Hefei Branch and Industrial and Commercial Bank of China Anhui Branch. Operation has commenced and the product will be promoted across the country.

Foreign Currency Centralized Clearing and Settlement System (外匯買賣集中交易系統), another new product of Singlee Technology, will be implemented in the Head Office of Shanghai Pudong Development Bank.

### **Hangzhou Singlee Software Co., Ltd (“Singlee Software”)**

On 29th July, 2002, Singlee Software obtained Quality Control System Accreditation Certificate issued by QCCECC CEPREI Quality System Certification Body. As a result, it was announced that Singlee Software obtained ISO9001:Accreditation of Quality Control of 2000. Singlee Software has obtained quality control accreditation in the field of “design, development and service of ERP” which covers main operations of Singlee Software.

Singlee Software’s new product self-operated investment management system (自營投資管理系統) has been used by Sky One Securities Co., Ltd., (天一證券) and results reflected by users have been very satisfactory.

## **Market development and customer training**

From 18th to 20th July, 2002, as the best agent of Lipman, Singlee Technology was invited to attend the 2002 Lipman Agents Meeting in Beijing. In April 2002, Lipman was selected as the one of the supplier of POS product by the Head Office of Industrial and Commercial Bank of China. It occupies over 75% of market share for the financial POS in the tobacco industry. Since its establishment in 2001, Singlee Technology has been maintaining a good cooperation relationship with Lipman, in particular on the wireless POS project. Singlee Technology was awarded the “Best Sales” at this meeting by Lipman.

From 16th to 18th August, 2002, Singlee Software conducted Advance Training Class on the Securities Transaction System at Hangzhou for a period of three days. Over 30 securities transaction system users from dealers in various places nationwide participated in this training class. The director, senior product manager and programming manager of the Project Customer Service Department of Singlee Software explained to the attendants on the design and operation details of the Singlee’s securities products. Through this training, the users gained more understanding in the product design, product business specific functions and the service procedures of Singlee Software, thus strengthened the communication and interaction between Singlee Software and the customers. The users advanced training class will be continued in future as an important form of customer service.

## **Industry Analysis and Product Development**

During the reported period, the Group devoted most of its resources in the following new products: “Trust Companies Solutions” (信託公司解決方案), “Unicorn Centralized Securities Platform 1.3” (“Unicorn CSP V1.3”) and “Integrated Securities Infrastructure Platform (新一代證券綜合業務平台)”.

Following the development in the securities market in the PRC, the Group considers that, problems existing in the course of the development of the securities companies, such as numerous number of securities companies, small scale, low concentration, similar business structures, weak innovative capabilities, poor asset quality, high risks, and inadequate expertise, were gradually exposed. These issues became obstacles hindering the inherent development of securities companies as well as the further development of securities market. Moreover, with the development of the securities market becoming steady, the traditional business of the securities companies are now only earning a thin profit margin. Therefore, while enlarging, refining and strengthening the traditional business, and fully exploring the potential in the traditional business, to actively develop business innovations is the only road to the survival and development of domestic securities companies.

Accordingly, the Group will fully capitalize on its own strength in the banking and securities sector. It is currently developing a business supporting system by taking bank/trust account handling as the center, supported by existing network technology, characterized by advance, high-efficient, stable, safe, comprehensive and scalable. It is expected that Trust Companies Solutions, including transaction management (over the counter transaction, on-line transaction of existing infrastructure product), product implementation management and auditing, information disclosure management, CRM and settlement management, will be launched in 2003.

Unicorn CSP V1.3 version is a new generation virtual electronic platform for the trading of securities. It aims to assist dealers to overcome with the adverse situation of “long break-even period after substantial investment with only little market coverage” prevailing in the expansion of business for the establishment of a business unit by way of traditional means. It fully capitalizes on the development of the modern information technology and network construction in the PRC, that specialization of industries, and will be affiliated to banking networks throughout the country. Leap-forward development of securities companies at a low cost and a large scale will thus be realized.

In Unicorn CSP V1.3 version, investment of customer will usually be completed by way of electronic transactions : customers’ funds and stocks are deposited at banks and at securities companies, respectively. Unlike the existing ALLWEB Transaction systems which are based on physical business departments, sales targets of Unicorn CSP V1.3 are the e-commerce department of securities companies, and is a tailor-made virtual electronic platform for the trading of securities. It is also a data exchange system supporting 25 business units of regional securities companies. The system adopts a settlement management auditing system with revolutionary characteristics. In order to standardize and centralize a standard financial auditing model for banking and securities industry, the system introduced funding and stocks management functions of financial management software. The system display adopts WEB browser.

The market research phase of certain products, including the “Bank CRM Solution” and “Brokerage CRM Solution” will be prolonged, as the Group considered that the demand from major customers of these products remained uncertain. Of which, the function in the “Bank CRM System” will be developed in the personal financial system.

### **Future Prospects**

The Group serves in the financial software industry in the PRC, and the customers are securities companies and commercial banks. Among these, the profit margins of securities companies have dropped due to keen competitions. Therefore, potential customers who originally prepared to purchase large products like integrated core transaction system, postponed their orders. However, following the entry of the PRC into the WTO, the Group considers that the capital market will be gradually opened, and securities companies in the PRC will inevitably rely further on software systems, integrate resources to enhance competitiveness. Accordingly, the securities software market situation of the Group will improve gradually.

The fourth quarter is usually the main period for commercial banks in China to settle the balance. Before the clients fully settle the balance, labour cost, research and development cost and material cost of the Group have been incurred.

The Group enhanced the integration of internal resources, redesigned the appraisal system, improved the coordination of the Technical Department, Project Department and Sales Department and solved the engineering problems, redefined the project and customer service flow (details of which disclosed in interim report) so that the project capability is raised rapidly. It is expected that receivables will be returned in the fourth quarter.

Upon listing, resources are focused to research and develop new products such as Unicorn CSP, Integrated Securities Infrastructure System, Trust Companies Solutions and Personal Financial System. System design and project implementation has been basically completed and is under trial run. The Group considered that some of new products set out above will be launched in the PRC market in the coming six months.

## SUBSTANTIAL SHAREHOLDERS

As at 30th September, 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:

|                                | Number of<br>ordinary shares | Percentage<br>of beneficial<br>interest in<br>the Company’s<br>issued<br>share capital |
|--------------------------------|------------------------------|--|
| 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.

Save as disclosed, the Company had not been notified of any interests representing 10% or more of the Company’s issued capital as at 30th September, 2002.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30th September, 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 |                  |                                |                 |
|-------------------|---------------------------|------------------|--------------------------------|-----------------|
|                   | Personal interests        | Family interests | Corporate interests            | Other interests |
| Mr. Hung Yung Lai | Nil                       | Nil              | 306,000,000<br><i>(note 1)</i> | Nil             |
| Ms. Li Kei Ling   | Nil                       | Nil              | 306,000,000<br><i>(note 1)</i> | Nil             |

### Shares in associated corporation:

| Name of directors | Number of ordinary shares in<br>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<br><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 September, 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 September, 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 September, 2002 were as follows:

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

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

|  | Options in the Company  |                                       |                             |                                      | As at 30th September, 2002 | Date of grant | Exercise period          | Exercise price per share |
|--|-------------------------|---------------------------------------|-----------------------------|--------------------------------------|----------------------------|---------------|--------------------------|--------------------------|
|  | As at 1st January, 2002 | Granted during the period<br>(note 1) | Exercised during the period | Lapsed during the period<br>(note 2) |                            |               |                          |                          |
| Continuous Contract Employees (other than Directors) | 0                       | 50,950,000                            | 0                           | 3,640,000                            | 47,310,000                 | 8 Apr 2002    | 7 Sep 2002 to 7 Apr 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.
- 3,640,000 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 nine months ended 30th September, 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 September, 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 nine months ended 30th September, 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 Group and any other conflicts of interest which any such person has or may have with the Group.

## **BOARD PRACTICES AND PROCEDURES**

During the nine months ended 30th September, 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 nine months ended 30th September, 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 September, 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 November, 2002