



SING LEE SOFTWARE (GROUP) LIMITED

新利軟件(集團)股份有限公司

(Incorporated in Bermuda with limited liability)

A web



Annual Report 2002

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This annual report, for which the directors of Sing Lee Software (Group) Limited (the “Company”) 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 the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (1) the information contained in this annual 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 annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

EXECUTIVE DIRECTORS

Hung Yung Lai (*Chairman*)

Cui Jian

Li Kei Ling

Duan Patrick (resigned on 19 March 2003)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pan Yun He

Wang Gui Guo

COMPANY SECRETARY

Luk Wai Mei, CPA (Aust), AHKSA

(quit on 31 December 2002)

Tang Ngai Man, CPA (Aust), AHKSA

(appointed on 31 December 2002)

QUALIFIED ACCOUNTANT

Luk Wai Mei, CPA (Aust), AHKSA

(quit on 31 December 2002)

Tang Ngai Man, CPA (Aust), AHKSA

(appointed on 31 December 2002)

COMPLIANCE OFFICER

Hung Yung Lai

AUTHORISED REPRESENTATIVES

Hung Yung Lai

Li Kei Ling

AUDIT COMMITTEE

Wang Gui Guo (*Chairman*)

Pan Yun He

AUDITORS

Charles Chan, Ip & Fung CPA Ltd.

37th Floor, Hennessy Centre

500 Hennessy Road

Causeway Bay

Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of China, Hangzhou Branch

Industrial and Commercial Bank of China

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

32nd Floor, Morrison Plaza

5-9A, Morrison Hill Road

Wanchai

Hong Kong

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton, HM11

Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited

6 Front Street

Hamilton, HM11

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Abacus Share Registrars Limited

Ground Floor, BEA Harbour View Center

56 Gloucester Road

Wanchai

Hong Kong

SPONSOR

Core Pacific - Yamaichi Capital Limited

36th Floor, Cosco Tower

Grand Millennium Plaza

183 Queen's Road Central

Hong Kong

GEM STOCK CODE

8076

Chairman's Statement

On behalf of the Board of Directors of Sing Lee Software (Group) Limited (the "Company") and its subsidiaries (together referred to as the "Group"), I would like to present herewith the 2002 Annual Report of the Group.

BUSINESS REVIEW AND ANALYSIS

Increase in losses was mainly due to the increase in labour costs on additional high calibre expertise needed for the research and development ("R&D") of the Group's new products and market research expenses. Also, the significant losses of the securities sector has strong negative impact to the sales of the Group's major security software products.

Hangzhou Singlee Software Company Limited

2002 was a year when the Group continued with its transition towards a corporate structure whereby the general managers of subsidiaries were held accountable under the framework of the management by the Group. During the year, the Company had to deal with adjustments to its management system and the restructuring of its operating activities, and externally, it had to tackle the re-positioning of its market image, product innovation and increasing industrial competition from its competitors. In the face of the imminent losses the securities sector would come up with, major securities dealers continued to postpone their purchase of the Integrated Securities Transaction System in which the Group had made substantial investments, as such, Hangzhou Singlee Software Company Limited suffered losses.

This year, the head offices of Hua Tai and Guang Fa were added to the list of the Company's new customers in the trust and insurance sectors, thereby laying down the foundation for the Company to enter into a new area of competition. However, the Company's market share in the systems for traditional business departments dropped. Major customers lost from our customer's list included Huaxia Securities, Changjiang Securities and Xiamen Securities.

At a time in the development of the securities sector where the profit margin is slim, the operations of customers from the securities sector is moving from extensive to intensive, and the Company's competitive edge in the traditional sector is being eroded over time. Such being the case, the following represents the Company's analysis in respect of the business environment for the Company in the future:

Closer and closer cooperation among the various financial sectors, and systems for the financial business will be moving from a single industry system which is product-oriented to a single industry system which is customer-oriented, which will eventually come up with a general system in which customers become the center of business. Under this general financial framework, securities dealers, trust companies, fund companies and insurance companies are all competing and working altogether. On the one hand, trust companies, fund companies, insurance companies and securities companies compete intensively for product sales and institutional customers, and on the other hand, they work closely on investment varieties, investment channels, R&D and product innovation.

Chairman's Statement

Securities dealers are developing towards market orientation and intensive operations. The focus of contention of securities dealers' for the high-end profit will be in the design and production in the cycle of "R&D - design - production - circulation - market - sale - service". Major securities dealers will set up financial holding companies to operate in the various areas, such as investment banking, asset management and brokerage subsidiaries. At the same time, following changes such as opening up to the rest of the world and the reduction in commission, securities dealers are forced to change from the extensive operations in the old days to core operations at present. Another area of competition is the target for quality customers such as corporate customers, and the rolling out of financial consultation services as well as collaboration in many aspects such as consultation, financing, financial management and risk investments for the purpose of innovation in the financial business.

Under such circumstances, customer demand of securities dealers have changed from "channel" technology to high-end technology which mainly involves integration with the internet. The customer demand for products has changed to one of business innovation, management innovation and technology innovation. As a result of the difference in operations of securities dealers, securities dealers begin to differentiate, whereby some are pursuing steady growth, some are looking for innovation, some are focusing on investment banking, and some are working on positioned retail.

With the transformation of the securities sector and the demand for differentiation from securities dealers becoming a dominant feature, in 2003, Hangzhou Singlee Software Company Limited will position itself as an "Industrial solution provider", and implement a differentiated competition strategy on the basis of a unified technological structure, whereby customers' demand for differentiation can be met, and the strategy of competition by differentiation will be implemented. The Company has turned from a market leader and follower to a challenging player once again.

Hangzhou Singlee Technology Company Limited

In 2002, the Company has sold totally approximately 8,000 sets of POS, the highest historical figure. With "POS Supermarket" as the core concept, the business of the Company has gone through the stage of sale and development of VERIFONE 395 cable POS, its "blooming all over the place" and its development into the various brands and models including Verifone 395, 3350, 3750, 3600, LipMan 3010, 3020, 2085, 8000, Anzhi 790, 510, Ruipe 9010, P2000, Shida and Tianshi, with more than ten models of both domestic and overseas POS of prestigious brand names, and it has the capability of development and maintenance for the above brands. In respect of wireless POS, the use of short messaging transaction alone can no longer satisfy the demand of users. Through additional inputs in the R&D of products by the project team, the original short messaging method has been expanded to cover the various methods including data service (wireless dialing), CDPD, MOBITAX, GPRS real-time on-line.

In the electronic payment sector, the Company has launched a new generation Chongqing model, which has preserved the advantages of a mode without a center, and for the saving in investment, an automatic parameter down-loading system is installed through an additional "Front Line" Server to support the application of banking cards, thus developing a new concept for the mode without a center. In order to ensure the system development, the technical department has deployed an expert team, and completed the testing in 16 banks by the end of November last year, and the system was in full operation in early December, and the model has also seen a breakthrough and has been implemented in Guiyang and Xian.

In 2002, the POS-MIS system was continuously promoted and innovated, and the Shanghai Chengda Shopping Mall collaborated with IBM and completed the networking of 400 cashier machines with the Industrial Bank. Besides shopping malls, the scope of application has been expanded to other industries such as libraries, hospitals, taxation, transport and tobacco, and is integrated with the IC card system, and completed the development of medical insurance in Xinjiang. At the same time, the POS-MIS system has also incorporated the ALLWEB concept, and ALLWEB revamp has been carried out and completed for seven banks.

On the basis of its top market position in the nationwide wireless POS, the Company took the initiative to introduce the concept of "Wireless application with unlimited application" and launched the Singlee Short Message Service Platform last year, which is a professional banking short messaging solution launched afresh by using advanced wireless communication technology. The product is currently under full application by Zhejiang Industrial Bank, Anhui Industrial Bank and Hefei Guangda Bank.

The Company successfully launch "Centralised Foreign Currency Testing System" (外滙集中交易系統) to ZhianJiang Construction Bank, Xiamen Construction Bank, Guangdong Construction Bank, Guangdong Development Bank. In 2002, the Company signed contract with Shanghai Pudong Development Bank ("SPDB") regarding to Foreign Exchange Centralised Trading System (外滙集中式交易系統). The progress of the installation is smooth and it is up to testing stage. It is expected to be adopted by SPDB branches in 2003.

Singlee Software (Zhuhai) Company Limited

At the end of 2002, the Company signed the contract with SPDB for the "Centralized Foreign Currency Testing System" (外滙集中交易系統). The progress was implemented smoothly. Currently it is in the testing stage. During the year of 2003, it is intended that this system will be implemented in all the branches of SPDB in the People's Republic of China (the "PRC").

Since its establishment in 2002, the Company has successfully passed the software product registration and software enterprise accreditation, and has obtained the two State software certificates for accreditation. The technical department of the Company adopts the continuous and developing strategy, and on the basis of the bank card order placement system ("Bank Card Order System"), it adopts changeable independent business logic modules through the provision of banking terminal and securities terminal common sharing function modules, thus simplifying the upgrading brought about by changes in adjustments to the documentary structure and transaction flow, and effectively solved the version allocation management which is applicable in different operation environment.

Contracts entered into between the Company and head offices in 2002 included : Bank of China B Share bank card transfer, Bank Card Order System, Shanghai Pudong Development Bank Integrated Bank Card Order System.

In respect of product development, the Company has collected technological information and related background information for over 20 products, and has been actively preparing for the formation of the Company's strategic development direction and for the analysis of the position of its competitors. In 2003, the five categories of products, including the Bank Card Order System, transfer derivatives, personal banking, credit loans, value-added services for financial information will be the key development directions of the Company.

Chairman's Statement

FUTURE OUTLOOK

The Group is fully aware of the fact that for financial software providers in the PRC, cost control will be of the utmost importance in the coming two years. Therefore, the Group will continue to integrate its engineering capability and channel construction in 2003, and redundant staff will be eliminated to reduce costs.

In 2003, the Group anticipates that it will successfully establish the operation of CMM2 software maturity development model, and will launch the trust and fund products currently under R&D. At the same time, as the price of the Group's VSP product is far lower than the Integrated Securities Transaction Platform, and the product is stable, transaction risks can be effectively controlled. It has attracted securities dealers at the regional level since early 2003.

On this basis, the Group will increase the liquidity of its existing assets in 2003, and will endeavor in the continued expansion and penetration into the related sectors of value-added services for financial information.

Acknowledgement

On behalf of the Board, I would like to express my gratitude to all the shareholders who have been rendering their support to the Group, and all the staff who have been so dedicated and have been working so hard. In addition, I would also like to express my sincere gratitude to the customers, business partners, suppliers and bankers for their confidence and trust in the Group.

Hung Yung Lai

Chairman

24 March 2003

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 the PRC.

For the year ended 31 December 2002 (“the financial year”), the securities market in the PRC was the weakest among the past three years. Currently many nation-wide brokerage firms, the Group’s potential clients, are under corporate restructuring process. Therefore, they postpone on making significant capital investment to improve existing network technologies. This makes it difficult for the Group to launch new products into the securities market, in particular those products requiring significant capital investment. In addition, certain commercial banks in the PRC took the initiative to restructure themselves, which had an impact on the sales of the securities and banking solutions of the Group as well as the sales of related hardwares.

In 2002, several nation-wide commercial banks performed upgrade reforms to their own core systems by themselves, which has hindered the sales and the implementation of orders on the banking peripheral products of the Group directly.

The adverse condition in the securities market during the year has led to the deterioration of the operations of the PRC brokerage firms, which in turn has a direct adverse impact in terms of the short-term promotion on the Group’s securities IT solution.

In light of keen competition in the PRC, selling prices of some of the Group’s major products like Singlee Bank/Brokerage Firm Account Transfer System (銀証轉帳) and Sing Lee III Trading System (新利III型交易系統) dropped by approximately 51% and 31% respectively.

With regard to the above underlying factors, the Group recorded a consolidated turnover of approximately RMB62.9 million for the financial year, representing a drop of approximately 11% as compared to that of last year (2001: RMB70.4 million). Turnover of the Group comprises of:

	Turnover	
	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of software	22,318	34,826
Sales of hardware	36,181	30,360
Maintenance income	4,354	5,230
	<hr/>	<hr/>
	62,853	70,416
	<hr/>	<hr/>

The Group recorded a gross profit of RMB17.8 million, decrease by 54% as compared to that of last year (2001: RMB39.1 million). Gross profit margin shrank to approximately 28% (2001: 56%). Gross profit margin decreased mainly due to more sales of thinner gross profit margin products and price cut on some of the Group’s major products.

Management Discussion and Analysis

FINANCIAL REVIEW *(Cont'd)*

Loss attributable to shareholders enlarged to approximately RMB10.3 million (2001: Profit RMB10.5 million). The enlarged loss was mainly caused by increase in the PRC manpower cost, market research expenses, administrative cost following listing of the Company on Growth Enterprise Market and drop on sales due to securities customer postpone on making significant investment.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING RATIO

As at 31 December 2002, the Group had bank borrowings of RMB8.0 million (2001: RMB11.0 million), all represented short term-bank loans repayable within one year. The bank borrowings were unsecured, interest bearing within the range from 5.54% to 5.58% (2001: from 5.02% to 6.14%) per annum and collectively guaranteed by the Company and one of the subsidiaries of the Group (2001: of which RMB1 million was secured by the Group's bank deposits). The Group does not have any committed banking facilities as at 31 December 2002.

No interest was capitalized by the Group during the year (2001: nil).

As at 31 December 2002, the Group held cash and cash equivalents denominated in RMB, US dollars and HK dollars, amounted to approximately RMB33 million.

The gearing ratio of the Group, based on total liabilities over total assets, as at 31 December 2002 was approximately 39% (2001: 35%).

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Apart from the establishment of an indirectly wholly owned subsidiary, Singlee Software (Zhuhai) Co. Ltd., as disclosed on note 14 to the financial statements, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies, or significant investments during the year under review.

SEGMENTAL INFORMATION

Saved as disclosed on note 11 of the notes to the financial statements, no segmental information is presented for the Group as the Group conducts its business within one geographical and business segment.

EMPLOYEE INFORMATION

As at 31 December 2002, the Group had 340 employees, including both the PRC and Hong Kong employees. Remuneration and bonus policy are basically determined by the performance of the individual employees and financial results of the Group. Total staff costs for the year amounted to RMB22 million.

The Group highly encourages employees to receive training and further education. The Group sponsors senior executives for MBA programs and further education.

The Group adopted a share option scheme, details of which were set out in the Report of the Directors.

CHARGE ON GROUP ASSETS

As at 31 December 2002, the Group did not have any charges on group assets.

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 30 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 within sections headed "Comparison of Use of Proceeds" and "Review of Business Objectives" in the section of Management Discussion and Analysis. Other than those disclosed, the Group did not have any plan for material investments or capital assets.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's revenue generating operations are mainly transacted in RMB. The directors consider the impact of foreign exchange exposure to the Group is minimal.

CONTINGENT LIABILITIES

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

PROSPECTS OF NEW PRODUCTS

Please refer to the Chairman's Statement for a discussion on this.

Management Discussion and Analysis

COMPARISON OF USE OF PROCEEDS

The net proceeds raised from the public listing on 5 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 30 August 2001 and are detailed below:

	Use of proceeds as stated in the prospectus	Actual amount utilized up to 31 December 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Research and development of new products and technologies	25,000	15,800
Sales, marketing and promotion	7,500	1,430
Expansions of regional offices, implementation of CMM and enhancement of internal information network infrastructure	5,500	820
Repayment of bank loans and other borrowing (i)	8,300	14,000
Repayment of shareholder's loan	4,200	4,200
General working capital	11,400	6,850
Placed with banks	—	17,480
	<u>61,900</u>	<u>60,580</u>

Unused net proceeds of approximately HK\$17.5 million have been placed with licenced banks in Hong Kong and the 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.

REVIEW OF BUSINESS OBJECTIVES

Objectives as stated in the Statement of Business Objectives of the Prospectus	Actual business progress
1. ALLWEB banking solution	
I. Bank CRM solution	
<i>For the six months ending 30 June 2002</i>	
(i) Complete the system development of ALLWEB Bank Customer Service Centre	(i-v) 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 in the coming two years.
(ii) Full launch of ALLWEB Bank Customer Service Centre	
(iii) Complete the system development of ALLWEB Bank Customer Information Analysis System	The Group is going to re-start the project if the market in the PRC has more room for the financial produces innovation.
(iv) Full launch of ALLWEB Bank Customer Information Analysis System	
(v) Complete the requirement analysis of ALLWEB Bank Information Business Decision System	
<i>For the six months ending 31 December 2002</i>	
(i) Complete the system development of ALLWEB Bank Business Decision System	(i-iii) The financial products in the PRC are still remain very limited even though the PRC joined WTO. So it is not necessary for the commercial banks in the PRC invest heavy in IT system to support the CRM solution. Therefore, the Group decided that the progress on the system development would be delayed in accordance with the market conditions.
(ii) Complete the entire bank CRM solution	
(iii) Full launch of bank CRM solution	

Management Discussion and Analysis

REVIEW OF BUSINESS OBJECTIVES *(Cont'd)*

Objectives as stated in the Statement of Business Objectives of the Prospectus

Actual business progress

II. Bank financial management system

For the six months ending 30 June 2002

- (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 functions of Bank-Fund Finance Management System

For the six months ending 31 December 2002

- (i) Full launch of Bank-Securities Finance Management System
- (ii) Full launch of Bank-Insurance Finance Management System and enhance its existing functions
- (iii) Full launch of Bank-Fund Finance Management System and upgrade its existing functions

(i-v) 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.

(i-iii) The Group is still promoting the further research of the system platform, which ideally can be applied uniformly in the bank finance management series, including Bank Securities Finance 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. Bank Insurance Financial Management System will be delayed in accordance with the market conditions.

REVIEW OF BUSINESS OBJECTIVES (Cont'd)

Objectives as stated in the Statement of Business Objectives of the Prospectus	Actual business progress
<p>III. Bank account manager system</p> <p><i>For the six months ending 30 June 2002</i></p>	
(i) Launch Bank IC Card Application System targeting retail customers at commercial banks for electronic payment	(i) Bank IC Card Application System was launched ahead of the schedule.
(ii) Develop POS Application System on the ALLWEB platform and full launch of multiple bank POS Application Systems	(ii) Development was completed.
<p><i>For the six months ending 31 December 2002</i></p>	
(i) Full launch of POS Application System targeting corporate customers at commercial banks for electronic payment	(i) Successfully installed the system for Bank of China Harbin Branch's tobacco distribution system.
(ii) Full launch of Bank IC Card Application system targeting retail customers at commercial banks for electronic payment	(ii) Successfully installed the system for China Industrial and Commercial Bank Xinjan Branch's medical care system.
<p>IV. Bank supervision system</p> <p><i>For the six months ending 30 June 2002</i></p>	
(i) Full launch of bank internal audit system	(i) Marketing activities were conducted for the Bank Internal Audit System.
<p><i>For the six months ending 31 December 2002</i></p>	
(i) Market Bank Supervision System to the Group's commercial banking customers	(i) Successfully installed the system for the Internal Auditing Department of Industrial and Commercial Bank of China.

Management Discussion and Analysis

REVIEW OF BUSINESS OBJECTIVES *(Cont'd)*

Objectives as stated in the Statement of Business Objectives of the Prospectus	Actual business progress
2. ALLWEB securities solution	
I. Brokerage CRM solution	
<i>For the six months ending 30 June 2002</i>	
(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	(i-iii) 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.
(iii) Complete the entire Brokerage CRM Solution	
<i>For the six months ending 31 December 2002</i>	
(i) Full launch of Brokerage CRM Solution (ii) Complete system upgrade accordingly to market and customer demands	(i-ii) The financial products in the PRC are still remain very limited even though the PRC joined WTO. So it is not necessary for the commercial banks in the PRC to invest heavily in IT systems to support the CRM solution. Therefore the Group decided that the progress on the system development would be delayed in accordance with the market conditions.
II. ALLWEB enterprise securities transaction system	
<i>For the six months ending 30 June 2002</i>	
(i) Launch upgraded version and complete new system design based on Unix and Oracle systems	(i) 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.

REVIEW OF BUSINESS OBJECTIVES (Cont'd)

Objectives as stated in the Statement of Business Objectives of the Prospectus

Actual business progress

For the six months ending 31 December 2002

- (i) Complete the integration of this system with the ALLWEB financial platform and launch the new version based on the Unix and Oracle systems

- (i) The Unix and Oracle solution is centralized package for brokerages. However, most of the nationalized brokerages are loss making. Currently many nationwide brokerage firms, the Group's potential clients, are under corporate restructuring process. Therefore they postponed plans to start the platform. But, the Group has successfully completed the research and development for the same solution with NT, which requires lower investment. Currently, the clients are Guangdong Development Securities (廣發證券) and Hua Tai Securities (華泰證券).

3. ALLWEB electronic financial service platform

For the six months ending 30 June 2002

- (i) Complete the system development of the core electronic trading function of the platform
- (ii) Full launch of Electronic Securities Trading, Electronic Banking, Wireless Financial Management Systems and Family Financial Management System based on cable network

- (i) System development of the electronic trading function of the platform is now in progress. The standard version started in November and December 2001 and completed in February 2002.
- (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.

Management Discussion and Analysis

REVIEW OF BUSINESS OBJECTIVES *(Cont'd)*

Objectives as stated in the Statement of Business Objectives of the Prospectus

Actual business progress

For the six months ending 31 December 2002

- | | |
|--|--|
| <p>(i) Complete the entire solution and system integration of the ALLWEB Electronic Financial Service Platform</p> | <p>(i) System development of the electronic trading function of the platform is now undergoing. The standard version started in November and December 2001 and completed in February 2002.</p> <p>(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.</p> |
|--|--|

4. Business development and information network

For the six months ending 30 June 2002

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|--|---|
| <p>(i) To complete the second stage of construction of the Group's internal information network infrastructure</p> | <p>(i) The construction of the internal information network was successfully completed.</p> |
|--|---|

For the six months ending 31 December 2002

- | | |
|--|--|
| <p>(i) To expand the Group's regional sales offices in Chongqing</p> | <p>(i) Currently the Group has 27 offices and supporting centers all over the PRC. The strongest distribution channel ever in the Group's history.</p> |
|--|--|

5. Marketing & Promotion

For the six months ending 30 June 2002

- | | |
|--|--|
| <p>(i) To participate in the PRC securities products exhibitions</p> | <p>(i) The Group participated The China Securities Information Technology Forum 2002 and New Products of Securities IT Systems Exhibition.</p> |
|--|--|

For the six months ending 31 December 2002

- | | |
|---|--|
| <p>(i) To participate in the PRC banking products exhibitions</p> | <p>(i) The Group did not participate the PRC banking products exhibitions.</p> |
|---|--|

At the end of 2002, several banking products, especially software products, are under R&D process. So the Group decided to promote these products on year 2003.

REVIEW OF BUSINESS OBJECTIVES (Cont'd)

Objectives as stated in the Statement of Business Objectives of the Prospectus

Actual business progress

6. CMM

For the six months ending 30 June 2002

- | | |
|---|---|
| (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 organization 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. |

For the six months ending 31 December 2002

- | | |
|--|---|
| (i) Confirm improvement scheme, conduct training, amend development process and amend internal organization according to the relevant scheme | (i) The Group started the CMM December 2002. The Group plans to pass the CMM 2 on November 2003 and CMM 3 on November 2004. |
|--|---|

Management Discussion and Analysis

FOUR YEAR FINANCIAL SUMMARY OF THE GROUP

	Year ended 31 December 2002 <i>RMB'000</i>	Year ended 31 December 2001 <i>RMB'000</i>	Year ended 31 December 2000 <i>RMB'000</i>	For the period from 27 May 1999 to 31 December 1999 <i>RMB'000</i>
Turnover	<u>62,853</u>	<u>70,416</u>	<u>87,028</u>	<u>38,254</u>
(Loss) / Profit attributable to shareholders	<u>(10,313)</u>	<u>10,460</u>	<u>10,826</u>	<u>3,044</u>
Total assets	<u>117,729</u>	<u>131,526</u>	<u>62,484</u>	<u>42,893</u>
Total liabilities	<u>(45,456)</u>	<u>(45,842)</u>	<u>(50,678)</u>	<u>(31,904)</u>
Net assets	<u>72,273</u>	<u>85,684</u>	<u>11,806</u>	<u>10,989</u>

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases and sales for the year ended 31 December 2002 attributable to the Group's major suppliers and customers are as follows:

Purchases

— the largest supplier	33.3%
— five largest suppliers combined	88.5%

Sales

— the largest customer	6.1%
— five largest customers combined	24.1%

None of the Directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers stated above.

Biographical Information of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Hung Yung Lai, aged 58, is the co-founder, Chairman and President of the Group. Mr. Hung holds a degree from Shanghai Conservatory of Music. He has over 20 years of experience in company management and strategic planning, including 8 years of experience in managing high-tech enterprises. Mr. Hung is also familiar with managing businesses in the PRC. He is responsible for the Group's overall strategy and corporate development.

Mr. Cui Jian, aged 49, is the Director, Vice Chairman of the Group. Mr. Cui is one of the founders of Hangzhou Singlee Software Co., Ltd. and has served the Group since its establishment in 1993. He is responsible for the Group's investment planning. Prior to joining the Group, he served as the Director of development department of Hangzhou Automated Research Institute, the PRC and the Chief of Hangzhou Hua-Yuan Micro-Industrial Application Research Institute, the PRC. Mr. Cui received tertiary education in management from Zhejiang College of Television broadcasting.

Ms. Li, Kei Ling, aged 54, is the Director of the Group. Ms. Li is also the co-founder of the Group. Ms. Li has over 20 years of experience in managing corporate development and finance, especially for the PRC businesses. She is responsible for managing the Group's finance, corporate development and capital raising activities.

Mr. Duan, Patrick, aged 51, was the Director, Vice President ("VP") and Chief Technical Officer ("CTO") of the Group. Mr. Duan joined the Group on 20 September 1999 and resigned from the positions of Executive Director, VP and CTO on 19 March 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Professor Pan, Yun He, aged 56, is the Independent Non-Executive Director of the Group. Mr. Pan is the President of Zhejiang University, one of the most reputable universities in the PRC. He was appointed to the position by the State Council in September 1998 and was also recognized as a vice-ministerial level official in February 2000. Mr. Pan received his master degree in Computer Science from Zhejiang University, the PRC. He became a member of China Academy of Engineering, one of the highest level academic institutes in the PRC in November 1997. Professor Pan joined the Group in April 2001.

Professor Wang, Gui Guo, aged 50, is the Chair Professor of Chinese Law and Comparative Law at City University of Hong Kong. He is a member of the International (Hague) Comparative Law Academy and he is also the chairman of Hong Kong World Trade Organisation Research Centre. Professor Wang received his master degree in legal studies from the Columbia University in USA and a Doctor of Philosophy in legal studies from the Yale University in USA. He is also a visiting professor of People University of China, the Tianjin Nan Kai University and the Wuhan University. He had also served in several reputable law firms in United States as well as in Canada. Professor Wang joined the Group in April 2001.

Biographical Information of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Xu Kehan, aged 30, is the Vice President and Financial Controller of the Group. He joined the Group in January 1998. Mr. Xu obtained his MBA from University of Miami in Investments in May 2001. Since he came back to serve the Group in July 2001, Mr. Xu, under the leadership of the President of the Group, designed the restructuring strategies, corporate level process planning and motivation systems for the Group. Mr. Xu is responsible for the investments planning, financial controlling, and designing human resources strategy for the Group.

Mr. Xiong Jianli, aged 58, is the Vice President of the Group and the General Manager of one of the subsidiaries of the Group, Hangzhou Sing Lee Technology Co. Ltd. Mr. Xiong served the Group for over 7 years. Mr. Xiong is mainly responsible for the Electronic Payment Application Business of the Group. Mr. Xiong has outstanding contribution to the Group in respect to POS Sharing System and wireless POS application.

Mr. Huang Jie, aged 33, is the General Manager of one of the subsidiaries of the Group, Hangzhou Singlee Software Co., Ltd. Mr. Huang has served the Group since its establishment in May 1993 and accumulated over 9 years of experience in marketing, sales development and management. He holds a university degree in radio from the Metrology College of China. Mr. Huang is pursuing his EMBA in China Europe International Business School in Shanghai. Mr. Huang is mainly responsible for the brokerage software business of the Group.

Mr. Wu Yingyu, aged 36, is the General Manager of one of the subsidiaries of the Group, Sing Lee Software (Zhuhai) Co. Ltd. Mr. Wu graduated from Hangzhou University of Electronic Science and Technology in 1989 with an engineering bachelor degree. He also holds his MBA from Zhejiang University. Mr. Wu started to serve the Group in 1996. Mr. Wu is responsible for the banking software business of the Group.

Mr. Sun Longzhong, aged 33, is the CTO of the Group. Mr. Sun served the Group for over 8 years. Mr. Sun is going to complete his MBA from University of Miami in this coming August. He designed the Sing Lee III Trading Software System(新利 III 型交易系統), which had been accounted for over 35% of market share in PRC. Mr. Sun graduated from Hangzhou University of Electronic Science and Technology with an engineering bachelor degree.

Report of the Directors

The directors have pleasure in presenting their annual report and the audited financial statements of the Company for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are the development and sale of information and network technologies and services to the financial industry in the PRC.

The principal activities of the subsidiaries are set out in note 14 to the financial statements.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the combined statement of income on page 30.

The directors of the Company do not recommend the payment of a dividend.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 27 to the financial statements.

DONATIONS

No charitable and other donations were made by the Group during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 26 to the financial statements.

Report of the Directors

DISTRIBUTABLE RESERVES

Pursuant to the Company Act 1981 of Bermuda, share premium of the Company is distributable to the shareholders. At 31 December 2002, the Company's reserves available for distribution to shareholders amounted in total to approximately RMB65,292,000 (2001: RMB79,238,000).

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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:

Name	Number of shares	Percentage of issued share capital
Goldcorp Industrial Limited	306,000,000 (<i>note 1</i>)	50.7%
Great Song Enterprises Limited	306,000,000 (<i>notes 1 and 2</i>)	50.7%
Mr. Hung Yung Lai	306,000,000 (<i>notes 2 and 4</i>)	50.7%
Ms. Li Kei Ling	306,000,000 (<i>notes 2 and 3</i>)	50.7%

Notes:

1. The shares are held by Goldcorp Industrial Limited. 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.
4. Mr. Hung Yung Lai controls more than one third of the voting power of Goldcorp Industrial Limited. Mr. Hung Yung Lai 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 above, the Company had not been notified of any interests representing 10% or more of the Company's issued share capital as at 31 December 2002.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2002, the beneficial interests of the Directors and chief executives in the 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 Stock 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 <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 31 December 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.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (Cont'd)

On 8 April 2002, the Company granted the following options to subscribe for shares in the Company under the Company's Share Option Scheme adopted on 27 August 2001 at an exercise price of HK\$0.614:

Name of Director	Number of shares subject to the options granted
Cui Jian	3,180,000
Li Kei Ling	2,300,000
Patrick Duan	3,800,000

Save as disclosed above, as at 31 December 2002, none of the directors, chief executives, or their respective associates had any beneficial interests in the 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.

SHARE OPTION SCHEME

Pursuant to the share option scheme (the "Scheme") adopted on 27 August 2001, the Directors may at their discretion grant options to employees (including Directors of the Company) of the Group and other persons who, in the sole discretion of the board of the Directors, have contributed to the Group ("Participants"). The Scheme enables the Company to grant share options to Participants as incentives or rewards for their contribution to the Group. The Scheme would be valid and effective for a period of ten years commencing on the adoption date.

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 30% of the issued share capital of the Company from time to time. After the listing of the shares on GEM, the total number of shares which may be issued upon the exercise of all options to be granted under the Scheme and any other schemes must not in aggregate exceed 10% of the shares in issue upon completion of placing, capitalisation issue and any other shares to be issued upon the exercise of the over-allotment option in connection with the listing of the shares on GEM. According to the Scheme, the total number of shares available for issue as at 31 December 2002 is 60,300,000 shares.

The total number of shares issued and to be issued upon the exercise of options granted and to be granted to each Participant (including both exercised and outstanding options) in any 12 months period up to the date of grant must not exceed 1% of the shares in issue at the date of grant.

The subscription shall be at a price determined by the board of directors at its absolute discretion and shall not be less than the higher of the closing price of the share on the date of grant of the option and the average closing price of the shares for the five business days immediately preceding the date of grant of the option.

Options granted shall be deemed to be accepted upon receipt of the acceptance of offer letter from the grantee within 28 days from the offer date, together with a remittance in favour of the Company of HK\$1 by way of consideration for the grant.

An option may be exercised in accordance with the terms of the Scheme at any time during a period notified by the board to each grantee but may not be exercised after the expiry of 10 years from the date of grant.

SHARE OPTION SCHEME (Cont'd)

On 8 April 2002 the Company granted 60,230,000 options to subscribe for shares in the Company under the Scheme at an exercise price of HK\$0.614 per share to 163 employees (including three executive directors) of the Group. Shares of the Company were at closing price HK\$0.58 immediately before the day on which options were granted. The summary details of options granted are as follows:

Name of directors and employees	Exercise period	Number of share options granted during the year	Number of share options exercised during the year	Number of share options cancelled during the year	Number of share options lapsed during the year	Number of share options outstanding as at 31 December 2002
Cui Jian	7 September 2002 to 7 April 2012	3,180,000	—	—	—	3,180,000
Li Kei Ling	7 September 2002 to 7 April 2012	2,300,000	—	—	—	2,300,000
Duan Patrick	7 September 2002 to 7 April 2012	3,800,000	—	—	—	3,800,000
Continuous contract employees (other than directors)	7 September 2002 to 7 April 2012	50,950,000	—	—	(3,640,000)	47,310,000
		60,230,000	—	—	(3,640,000)	56,590,000

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 believe that the cost for disclosing the value of options do not justify for the benefits it provides.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the year was the Company nor any of its subsidiaries was a party to any arrangements to enable the directors or chief executive of the Company, their spouse and children under 18 of age had any right to subscribe for the securities of the Company, or had exercised any such right.

Report of the Directors

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 31 December 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 LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

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

SPONSOR'S INTERESTS

Core Pacific-Yamaichi Capital Limited (the "Sponsor") has entered into a Sponsor agreement with the Company whereby, for a fee, the Sponsor will act as the Company's retained Sponsor for the purpose of Chapter 6 of the GEM Listing Rules for the remaining period up to 31 December 2003, or until the Sponsor agreement is terminated upon the terms and conditions set out therein.

None of the Sponsor, its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company or any other company of the Group (including options or rights to subscribe for such securities) as at 31 December 2002.

DIRECTORS

The directors of the Company during the year were:

Executive Directors

Hung Yung Lai (*Chairman*)

Cui Jian

Li Kei Ling

Duan Patrick (resigned on 19 March 2003)

Independent Non-Executive Directors

Pan Yun He

Wang Gui Guo

In accordance with Article 87 of the Company's Bye-Laws, Li Kei Ling, will retire from office by rotation at the forthcoming annual general meeting and, being eligible, offers herself for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of 3 years from 27 August 2001 which may be terminated by either party thereto giving to the other not less than six calendar months' prior notice in writing, which notice period shall not expire until after the first year.

Each of the independent non-executive directors was appointed for a period of two years commencing from their appointment dates.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed on note 30 of the notes to the financial statements, no contracts of significance in relation to the Group's business to which the Company was a party and in which a director of the Company or a controlling shareholder or any of its subsidiaries, had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

Save as disclosed in note 30 of the notes to the financial statements, the connected transactions are exempted from the reporting, announcement and shareholders' approval requirement pursuant to the GEM Listing Rule 20.23.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

BOARD PRACTICES AND PROCEDURES

Since the listing of the Company on GEM of the Stock Exchange, the Company has complied with Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

Report of the Directors

AUDIT COMMITTEE

The Company has established an audit committee on 27 August 2001, with written terms of reference in compliance with the requirements as set out in 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 procedures of the Group and to provide advice and comments to the Board.

The following sets out the members of the Group's audit committee:

Name	Position in the audit committee	Position in the Board of Directors
Prof. Wang, Gui Guo	Chairman	Independent non-executive Director
Prof. Pan, Yun He	Member	Independent non-executive Director

Since the listing of the Company's shares on GEM on 5 September 2001, and up to the date of approval of the financial statements, the audit committee has held four meetings and have reviewed and commented in the Company's draft annual, interim and quarterly reports.

AUDITORS

Arthur Andersen & Co. resigned as auditors of the Group with effective from 23 July 2002 and PricewaterhouseCoopers were appointed to fill the casual vacancy on the same day. On 15 October 2002, PricewaterhouseCoopers resigned as auditors of the Group and Charles Chan, Ip and Fung CPA Ltd. were appointed as auditors of the Group.

The Company's auditors, Charles Chan, Ip & Fung CPA Ltd. retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Hung Yung Lai

Chairman

Hong Kong, 24 March 2003



Charles Chan, Ip & Fung CPA Ltd.
37th Floor, Hennessy Centre
500 Hennessy Road
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF SING LEE SOFTWARE (GROUP) LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the accompanying balance sheet of Sing Lee Software (Group) Limited (the “Company”) and combined balance sheet of the Company and its subsidiaries (the “Group”) as of 31 December 2002 and the related combined statements of income, changes in equity and cash flows of the Group for the year then ended. These financial statements set out on pages 30 to 61 are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above give a true and fair view of the financial position of the Company and the Group as of 31 December 2002 and of the results of operations and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board, and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Charles Chan, Ip & Fung CPA Ltd.

Certified Public Accountants

Hong Kong

Chan Wai Dune, Charles

Practising Certificate Number P00712

Combined Statement of Income

For the year ended 31 December 2002

(Expressed in thousands of Renminbi ("RMB") except for earnings per share)

	Note	Group	
		2002 RMB'000	2001 RMB'000
Revenue	3	62,853	70,416
Cost of sales		(45,004)	(31,266)
Gross profit		17,849	39,150
Distribution costs		(17,070)	(19,724)
General and administrative expenses		(17,364)	(14,565)
Other operating income	4	6,921	7,094
(Loss)/profit from operations		(9,664)	11,955
Finance costs	5	(649)	(1,196)
(Loss)/profit before tax	6	(10,313)	10,759
Income tax expenses	8	—	(779)
(Loss)/profit after tax		(10,313)	9,980
Minority interests		—	480
(Loss)/profit attributable to shareholders		(10,313)	10,460
Dividends	9	3,196	1,500
(Loss)/Earnings per share	10		
— Basic		(RMB1.71 cents)	RMB2.09 cents
— Diluted		N/A	N/A

Balance Sheets

As of 31 December 2002
(Expressed in thousands of RMB)

	Note	Group		Company	
		2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
ASSETS					
Non-current assets					
Intangible assets	12	9,229	2,728	—	—
Property, plant and equipment	13	9,830	9,176	71	42
Investment in subsidiaries	14	—	—	50,893	51,868
		<u>19,059</u>	<u>11,904</u>	<u>50,964</u>	<u>51,910</u>
Current assets					
Amount due from ultimate holding company	15	—	21	—	21
Deposits, prepayments and other receivables	16	10,276	13,276	930	254
Inventories	17	11,280	7,513	283	—
Trade receivables	18	44,332	38,719	7,594	1,526
Cash and cash equivalents	19	32,782	60,093	14,350	33,710
		<u>98,670</u>	<u>119,622</u>	<u>23,157</u>	<u>35,511</u>
LIABILITIES					
Current liabilities					
Short-term borrowings	20	8,000	11,000	—	—
Trade payables	21	17,092	11,180	120	15
Accruals and other payables		2,244	1,383	455	300
Customers' deposits	22	4,563	6,820	—	—
Bills payable	23	1,848	1,476	1,848	1,476
Amount due to ultimate holding company	15	14	—	14	—
Tax payable	24	9,774	12,112	—	—
Deferred income	25	1,921	1,871	—	—
		<u>45,456</u>	<u>45,842</u>	<u>2,437</u>	<u>1,791</u>
Net current assets		<u>53,214</u>	<u>73,780</u>	<u>20,720</u>	<u>33,720</u>
Total assets less current liabilities		<u>72,273</u>	<u>85,684</u>	<u>71,684</u>	<u>85,630</u>
CAPITAL AND RESERVES					
Share capital	26	6,392	6,392	6,392	6,392
Reserves	27	65,881	79,292	65,292	79,238
Shareholders' fund		<u>72,273</u>	<u>85,684</u>	<u>71,684</u>	<u>85,630</u>

Approved and authorised for issue by and signed on behalf of the Board of Directors on 24 March 2003

Hung Yung Lai
Chairman

Li Kei Ling
Director

Combined Statement of Changes in Equity

For the year ended 31 December 2002

(Expressed in thousands of RMB)

	2002						2001	
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Revenue reserve RMB'000	Cumulative translation adjustments RMB'000	Retained profits RMB'000	Total RMB'000	Total RMB'000
Balance as at beginning of year	6,392	59,123	3,435	4,454	4	12,276	85,684	18,092
Buyout of minority interests by majority shareholders	—	—	—	—	—	—	—	(480)
Premium on issue of ordinary shares, net of issues at nil consideration	—	—	—	—	—	—	—	74,593
Share issuance expenses	—	—	—	—	—	—	—	(10,828)
Capitalisation of share premium	—	—	—	—	—	—	—	(4,642)
Effect of reorganisation	—	—	—	—	—	—	—	(15)
Translation adjustments	—	—	—	—	—	—	—	4
Reverse over accrued profit to reserve fund	—	—	—	(1,350)	—	1,350	—	—
Profit appropriation to reserve fund	—	—	—	488	—	(488)	—	—
Transfer for distribution	—	—	(3,435)	—	—	3,435	—	—
Reverse over accrued share issuing expenses	—	144	—	—	—	—	144	—
Utilisation for the year	—	—	—	(46)	—	—	(46)	—
Net (loss)/profit for the year	—	—	—	—	—	(10,313)	(10,313)	10,460
Dividends	—	—	—	—	—	(3,196)	(3,196)	(1,500)
Balances as at end of year	6,392	59,267	—	3,546	4	3,064	72,273	85,684

Combined Statement of Cash Flows

For the year ended 31 December 2002
(Expressed in thousands of RMB)

	Note	Group	
		2002 RMB'000	2001 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash used in operations	28(a)	(11,079)	(2,014)
Interest paid		(649)	(1,196)
Income taxes paid		—	(779)
Net cash used in operating activities		<u>(11,728)</u>	<u>(3,989)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(3,315)	(5,532)
Additions of intangible assets		(6,860)	(2,739)
Interest received		416	367
Net cash used in investing activities		<u>(9,759)</u>	<u>(7,904)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		—	76,320
Share issuance expenses		—	(10,828)
Dividends paid		(3,196)	(1,500)
Cash received from bank loans		21,000	—
Repayment to bank loans		(24,000)	—
Net cash (used in)/provided by financing activities		<u>(6,196)</u>	<u>63,992</u>
Net (decrease)/increase in cash and cash equivalents		(27,683)	52,099
Cash and cash equivalents at beginning of year		58,617	6,514
Effect of foreign exchange differences		—	4
Cash and cash equivalents at end of year	28(b)	<u><u>30,934</u></u>	<u><u>58,617</u></u>

Notes to the Financial Statements

31 December 2002

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

1. GENERAL

Sing Lee Software (Group) Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The Company’s shares have been listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. Its subsidiaries established in the People’s Republic of China (“PRC”) are principally engaged in the development, manufacture and sale of software products, sale of related hardware products and provision of software-related technical services.

The Group’s head office and principal place of business in the PRC is located in Jie Neng Huan Bao Technology Park, No. 108 Gu Cui Road, Hangzhou, Zhejiang Province, the People’s Republic of China. The registered office of the Company is in Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda.

The Group principally operates in the PRC and employed approximately 340 employees as at 31 December 2002.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial statements of the Company and the Group are as follows:

(a) Basis of presentation

The accompanying financial statements 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 the GEM. Except as otherwise stated, the accompanying financial statements are prepared under the historical cost convention.

Owing to the fact that the Group principally operates in the PRC and its business activities are principally transacted in Renminbi (“RMB”), the financial statements are prepared in RMB.

(b) Principles of combination

The combined financial statements include the accounts of the Company and its subsidiaries.

All significant intercompany balances and transactions, including intercompany profits and unrealised profits and losses, are eliminated on combination. Combined financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)***(c) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. The initial cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are recognised as expense in the period in which they are incurred. In situations where it is probable that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of the asset beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of the asset.

Depreciation is provided on a straight-line basis to write off the cost of each asset over its estimated useful life, after taking into account its estimated residual value. The estimated useful lives are as follows:

Leasehold improvements	5 years
Computer and related equipment	5 years
Other office equipment	5 years
Motor vehicles	5 years

The useful lives of assets and depreciation method are reviewed periodically.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the determination of the results of operations.

(d) Research and development costs

Expenditures for research and development are charged against income in the period incurred except for project development costs which comply strictly with the following criteria:

- i) the product or process is clearly defined and costs are separately identified and measured reliably;
- ii) the technical feasibility of the product is demonstrated;
- iii) the product or process will be sold or used in-house;
- iv) a potential market exists for the product or its usefulness in cash of internal use is demonstrated; and
- v) adequate technical, financial and other resources required for completion of the project are available.

Capitalised development costs are amortised on a straight-line basis over their expected useful lives. The period of amortisation does not normally exceed five years.

The recoverable amount of development costs is estimated whenever there is an indication that the asset has been impaired or that the impairment losses recognised in previous years no longer exist.

Notes to the Financial Statements

31 December 2002

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(e) Software

The cost of acquisition of new software is capitalised and treated as an intangible asset if the cost is not an integral part of the related hardware. Software is amortised on a straight-line basis over five years.

(f) Subsidiaries

A subsidiary is a company in which the Company has control. Control exists when the Company has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from its activities.

In the Company's financial statements, investment in subsidiaries are accounted for using the equity method. An assessment of investment in subsidiaries is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value, after provision for obsolete items. Cost, calculated on the weighted average basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(h) Receivables

Receivables are stated at face value, after provision for doubtful accounts.

(i) Cash and cash equivalents

Cash represents cash in hand and deposits with banks which are repayable on demand.

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)***(j) Turnover and revenue recognition**

Turnover represents revenue from sale of computer software and hardware, and revenue from post contract customer services, mainly maintenance income, after excluding applicable business tax and value added tax ("VAT").

Provided it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue from sale of software is recognised on the following bases:

- i) persuasive evidence of an arrangement exists;
- ii) delivery has occurred or service has been performed;
- iii) the vendor's fee is fixed or determinable; and
- iv) collectibility is probable.

Revenue from sale of hardware is recognised upon delivery of goods and when the title is passed to the customers.

Maintenance revenue is recognised on a time proportion basis over the period of the contract.

Interest income from bank deposits is recognised on a time proportion basis that takes into account the effective yield on assets.

(k) Borrowing costs

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Borrowing costs are expensed as incurred, except when they are directly attributable to the acquisition, construction or production of assets that necessarily takes a substantial period of time to get ready for their intended use in which case they are capitalised as part of the cost of that asset. Capitalisation of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs are capitalised at the weighted average cost of the related borrowings until the asset is ready for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Notes to the Financial Statements

31 December 2002

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(l) Operating leases

Leases are classified as operating leases whenever substantially all the risks and rewards incidental to ownership of the leased assets remain with the lessor.

Leases payments under operating leases are recognised as an expense in the income statement on a straight-line basis over the lease term. Aggregate benefit of incentives on operating leases is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(m) Taxation

The Group companies provide for income tax on the basis of their profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes.

Deferred taxation is provided under the balance sheet liability method in respect of significant taxable or deductible temporary differences between the carrying amount of assets or liabilities in the balance sheet and their respective tax bases. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purpose. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deferred tax assets can be utilised.

(n) Foreign currency translation

The company and its BVI subsidiary maintain their books and records in Hong Kong dollars (“HK\$”). The subsidiaries established in the PRC maintain their books and records in Renminbi (“RMB”). Transactions denominated in other currencies are translated into the reporting currencies at exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into the reporting currencies at exchange rates prevailing at that date. Non-monetary assets and liabilities in other currencies are translated into the reporting currencies at historical rates. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognised in the results of operations in the period in which they arise.

On combination, all of the assets and liabilities of Group companies with reporting currencies other than RMB are translated into RMB at the applicable rates of exchange in effect at the balance sheet date; all of the income and expense items of Group companies with reporting currencies other than RMB are translated into RMB at the average applicable exchange rates during the year. Exchange differences arising from such translation are dealt with as movements of cumulative translation adjustments.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)***(o) Retirement scheme**

The Group's contributions to retirement schemes are charged to the results of operations in the period to which they are related.

(p) Impairment of assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in expense for items of fixed assets and intangible assets carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or has decreased. The reversal is recorded in income.

(q) Provisions

A provision is recognised when, and only when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

(r) Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Notes to the Financial Statements

31 December 2002

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(s) Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, accounts receivable and payable, other receivable and payable, loans, and balances with related parties. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this section.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(t) Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(u) Subsequent events

Post-year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

Notes to the Financial Statements

31 December 2002

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

3. REVENUE

	Group	
	2002	2001
	RMB'000	RMB'000
Sale of software	22,318	34,826
Sale of hardware	36,181	30,360
Revenue from maintenance services	4,354	5,230
	<u>62,853</u>	<u>70,416</u>

All sales were derived from the PRC.

4. OTHER OPERATING INCOME

	Group	
	2002	2001
	RMB'000	RMB'000
Interest income from bank deposits	416	367
VAT refund (See Note 24)	5,068	5,985
Enterprise income tax refund	805	—
Government subsidies	632	742
	<u>6,921</u>	<u>7,094</u>

5. FINANCE COSTS

	Group	
	2002	2001
	RMB'000	RMB'000
Interest on bank loans wholly repayable within 5 years	<u>649</u>	<u>1,196</u>

Notes to the Financial Statements

31 December 2002

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

6. (LOSS)/PROFIT BEFORE TAX

(Loss)/Profit before tax was determined after crediting and charging the following:

	Group	
	2002	2001
	RMB'000	RMB'000
After crediting:		
Written back of provision for doubtful debts	<u>190</u>	<u>663</u>
After charging:		
Employment costs		
— Salaries and wages	18,475	10,832
— Provision for bonus and welfare fund	1,865	1,253
— Contribution to retirement schemes (See Note 29)	<u>1,429</u>	<u>942</u>
	21,769	13,027
Cost of inventories	29,390	21,749
Research and development costs expenditures	7,600	9,689
Amortisation of intangible assets	359	11
Depreciation of property, plant and equipment	2,410	2,180
Provision for doubtful debts	1,219	—
Operating lease rentals	3,617	3,101
Loss on disposal of property, plant and equipment	251	—
Auditors' remuneration	<u>425</u>	<u>382</u>

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(i) Details of the remuneration paid to directors of the Company were as follows:

	Group	
	2002	2001
	RMB'000	RMB'000
Fees	—	51
Salaries, allowances and benefits in kind	1,436	1,795
Retirement benefits	47	35
Bonus	—	—
Others	—	—
	<u>1,483</u>	<u>1,881</u>

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Cont'd)

- (i) Details of the remuneration paid to directors of the Company were as follows: (Cont'd)

Analysis of emoluments of the directors (4 of them are executive directors) by number of individuals and emolument range was as follows:

	2002 Number	2001 Number
Nil - RMB1,060,000 (equivalent to HK\$1,000,000)	6	5
RMB1,060,000 - RMB1,590,000 (equivalent to HK\$1,000,000 - HK\$1,500,000)	—	1
	<u>6</u>	<u>6</u>

The six directors received individual emoluments of approximately RMB708,000, RMB487,000, RMB210,000, RMB78,000, RMB nil and RMB nil for the year ended 31 December 2002 (2001: RMB1,088,000, RMB323,000, RMB322,000, RMB96,000, RMB25,000 and RMB25,000 respectively).

The 4 executive directors waived emoluments of approximately RMB 5,719,000 during the year ended 31 December 2002 (2001: RMB102,000).

- (ii) Details of the emoluments of the five highest paid individuals (including directors and employees) in the Group were as follows:

	2002 RMB'000	2001 RMB'000
Fees	—	—
Salaries, allowances and benefits in kind	2,524	2,525
Retirement benefits	64	54
Bonus	—	—
Loss of office	159	—
	<u>2,747</u>	<u>2,579</u>
	Number	Number
Number of directors	2	3
Number of employees	3	2
	<u>5</u>	<u>5</u>

Notes to the Financial Statements

31 December 2002

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Cont'd)

- (ii) Details of the emoluments of the five highest paid individuals (including directors and employees) in the Group were as follows: (Cont'd)

Analysis of emolument of the five highest paid individuals by number of individuals and emolument range was as follows:

	2002	2001
	Number	Number
Nil - RMB1,060,000 (equivalent to HK\$1,000,000)	5	4
RMB1,060,000 - RMB1,590,000 (equivalent to HK\$1,000,000 - HK\$1,500,000)	—	1
	<u>5</u>	<u>5</u>

- (iii) During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group. (2001: Nil)

During the year, RMB159,000 was paid as compensation for loss of office to one of the five highest paid individuals (including directors and employees). (2001: Nil)

8. INCOME TAX EXPENSE

	Group	
	2002	2001
	RMB'000	RMB'000
PRC enterprise income tax (c)	—	779

- (a) Overseas income tax

The company is incorporated in Bermuda and is exempt from taxation in Bermuda until 28 March 2016. The Company's subsidiary established in BVI is incorporated under the International Business Companies Acts of BVI and, accordingly, is exempt from payment of BVI income taxes.

- (b) Hong Kong profits tax

No Hong Kong profits tax was provided as the Group had no assessable profit arising in or derived from Hong Kong.

8. INCOME TAX EXPENSE (Cont'd)

(c) PRC enterprise income tax

As foreign investment enterprises that incorporated in the Advanced Technology Industry Development Area in Hangzhou City and Zhuhai 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. Foreign investment enterprises are also exempted from income tax in years with financial loss.

The reconciliation of statutory tax rate to effective tax rate is as follows:

	2002		2001	
	RMB'000	%	RMB'000	%
Accounting (loss)/profit before taxation	<u>(10,313)</u>	<u>100</u>	<u>10,759</u>	<u>100</u>
Tax at the statutory tax rate	742	15	1,614	15
— Tax exempted	(742)	(15)	—	—
— Tax benefit arising from tax regulations applicable to foreign enterprises in the Mainland China	—	—	(807)	(7.5)
— Tax effect of income that are not taxable in determining taxable profit	—	—	(28)	(0.3)
Tax expense	<u>—</u>	<u>—</u>	<u>779</u>	<u>7.2</u>

There was no significant unprovided deferred taxation for the year ended 31 December 2002 (2001: Nil).

9. DIVIDENDS

	2002	2001
	RMB'000	RMB'000
Final dividends declared and paid	3,196	—
Interim dividends declared and paid	—	1,500
	<u>3,196</u>	<u>1,500</u>

During the year ended 31 December 2002, final dividends of HK\$0.005 per share were declared and paid. During the year ended 31 December 2001, the dividends were declared and paid to the then owners/shareholders of subsidiaries.

Subsequent to 31 December 2002, the directors of the Company do not recommend the payment of a final dividend.

Notes to the Financial Statements

31 December 2002

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

10. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the combined net (loss)/profit for the year attributable to shareholders of approximately RMB10,313,000 (2001: profit RMB10,460,000) divided by the weighted average number of ordinary shares outstanding during the year of 603,000,000 shares (2001: 501,360,000 shares).

No diluted loss per share was presented as the exercise of share options would have an anti-dilutive effect during the year (2001: no dilutive potential ordinary shares was issued).

11. SEGMENTAL INFORMATION

The Group conducts its business in the PRC within one business segment — the business of development, manufacture and sale of software products, sale of related hardware products and provision of software-related technical services. The Group also operates within one geographical segment because its revenues are primarily generated in the PRC and its assets are primarily located in the PRC. Accordingly, no segmental information is presented.

12. INTANGIBLE ASSETS

	Group			2001
	2002			
	Development costs	Software	Total	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
Beginning of year	2,509	230	2,739	—
Additions	6,163	697	6,860	2,739
End of year	8,672	927	9,599	2,739
Accumulated depreciation				
Beginning of year	—	11	11	—
Amortisation for the year	292	67	359	11
End of year	292	78	370	11
Net book value				
End of year	8,380	849	9,229	2,728
Beginning of year	2,509	219	2,728	—

12. INTANGIBLE ASSETS (Cont'd)

Development costs capitalised include expenses incurred by the Group in the development of certain new software products. During the year ended 31 December 2002, total expenditures for research and development were approximately RMB13,763,000 of which approximately RMB6,163,000 was capitalised. The Group was able to demonstrate that the new products met the criteria for recognition as an intangible asset.

The directors of the Company are of the opinion that the underlying value of the intangible assets was not less than their carrying value as of 31 December 2002.

13. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment were:

	Group					2001 Total RMB '000
	2002					
	Leasehold improvements RMB '000	Computer and related equipment RMB '000	Other office equipment RMB '000	Motor vehicles RMB '000	Total RMB '000	
Cost						
Beginning of year	2,246	8,847	2,849	—	13,942	8,410
Additions	615	1,601	393	706	3,315	5,532
Disposals	—	(942)	(170)	—	(1,112)	—
End of year	<u>2,861</u>	<u>9,506</u>	<u>3,072</u>	<u>706</u>	<u>16,145</u>	<u>13,942</u>
Accumulated depreciation						
Beginning of year	355	3,423	988	—	4,766	2,586
Charge for the year	428	1,493	462	27	2,410	2,180
Disposals	—	(728)	(133)	—	(861)	—
End of year	<u>783</u>	<u>4,188</u>	<u>1,317</u>	<u>27</u>	<u>6,315</u>	<u>4,766</u>
Net book value						
End of year	<u>2,078</u>	<u>5,318</u>	<u>1,755</u>	<u>679</u>	<u>9,830</u>	<u>9,176</u>
Beginning of year	<u>1,891</u>	<u>5,424</u>	<u>1,861</u>	<u>—</u>	<u>9,176</u>	<u>5,824</u>

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(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Company			2001
	2002		Total	
	Computer and related equipment	Other office equipment		Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
Beginning of year	51	—	51	20
Additions	43	—	43	31
End of year	94	—	94	51
Accumulated depreciation				
Beginning of year	9	—	9	4
Charge for the year	14	—	14	5
End of year	23	—	23	9
Net book value				
End of year	71	—	71	42
Beginning of year	42	—	42	16

The directors of the Company are of the opinion that there is no indication of impairment on the carrying value of property, plant and equipment as of 31 December 2002.

Notes to the Financial Statements

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(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

14. INVESTMENT IN SUBSIDIARIES

In the Company’s balance sheet, investment in subsidiaries comprised the following:

	2002	2001
	<i>RMB’000</i>	<i>RMB’000</i>
Share of net identifiable assets of subsidiaries	19,626	26,298
Amounts due from subsidiaries	30,065	25,570
Loans to subsidiaries	1,202	—
	<u>50,893</u>	<u>51,868</u>

The amounts due from subsidiaries were unsecured, interest free and repayable on demand.

The loans to subsidiaries were unsecured, interest bearing at 5.04% per annum and repayable before the end of March 2003.

The directors are of the opinion that the underlying value of the subsidiaries was not less than their carrying value as of 31 December 2002.

As of 31 December 2002, the Company had interests in the following subsidiaries:

Name	Date and place of incorporation/operation	Percentage of equity interest attributable to the Company		Registered and fully paid-up capital US\$	Principal activities
		Direct	Indirect		
Sing Lee Electronics (B.V.I.) Co., Ltd. (“Singlee BVI”)	3 September 1999 British Virgin Islands/ Hong Kong	100%	—	715	Investment holding
Hangzhou Singlee Software Company Limited [#] (“Singlee Software”)	27 May 1999 PRC	—	100%	500,000	Development, manufacture and sale of software products, sale of related hardware products and provision of software related technical services
Hangzhou Singlee Technology Company Limited [#] (“Singlee Technology”)	16 October 2001 PRC	—	100%	1,200,000	Same as above
Singlee Software (Zhuhai) Company Limited [#] (“Singlee Zhuhai”)	15 March 2002 PRC	—	100%	1,250,000	Same as above

[#] These subsidiaries are wholly foreign-owned enterprises registered in the PRC.

Notes to the Financial Statements

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(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

15. AMOUNT DUE (TO)/FROM ULTIMATE HOLDING COMPANY

Name	Connected parties	Group		Company	
		2002	2001	2002	2001
		RMB'000	RMB'000	RMB'000	RMB'000
Goldcorp Industrial Limited	Mr. Hung Yung Lai Ms. Li Kei Ling	(14)	21	(14)	21

The amounts are unsecured, interest free and repayable on demand. At 31 December 2002 and 31 December 2001, there was no outstanding overdue interests and provision has not been made for the amounts due.

At the balance sheet date, the above balances comprise the following major components:

	Group		Company	
	2002	2001	2002	2001
	RMB'000	RMB'000	RMB'000	RMB'000
Advances without fixed repayment terms	(14)	21	(14)	21

Goldcorp Industrial Limited is owned by Mr. Hung Yung Lai and Ms. Li Kei Ling.

16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2002	2001	2002	2001
	RMB'000	RMB'000	RMB'000	RMB'000
Business tax recoverable	3,740	3,740	—	—
VAT recoverable (Note 24)	3,085	4,772	—	—
Enterprise income tax	70	—	—	—
Advance to employees	609	495	—	—
Deposits and others	2,772	4,269	930	254
	<u>10,276</u>	<u>13,276</u>	<u>930</u>	<u>254</u>

17. INVENTORIES

	Group		Company	
	2002	2001	2002	2001
	RMB'000	RMB'000	RMB'000	RMB'000
Finished goods, at cost	<u>11,280</u>	<u>7,513</u>	<u>283</u>	<u>—</u>

As of 31 December 2002, no inventory was stated at net realisable value (2001: Nil).

Notes to the Financial Statements

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18. TRADE RECEIVABLES

The aging analysis of trade receivables is as follows:

	Group		Company	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Within 90 days	20,088	30,785	4,451	1,526
Over 90 days but within 180 days	6,114	981	3,143	—
Over 180 days but within 365 days	4,415	5,080	—	—
Above 365 days	16,031	3,160	—	—
	46,648	40,006	7,594	1,526
Less: Provision for doubtful receivables	(2,316)	(1,287)	—	—
	44,332	38,719	7,594	1,526

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

The directors of the Company consider that provision for doubtful receivables is adequately provided. 5% and 100% provision had been made for trade receivables aged 1.5 years to 2 years and exceeding 2 years respectively.

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Cash and cash equivalents				
– denominated in HK\$	2,651	33,716	206	33,701
– denominated in US\$	4,510	7,766	4,292	9
– denominated in RMB	25,621	18,611	9,852	—
	32,782	60,093	14,350	33,710

As of 31 December 2002, bank deposits amounting to approximately RMB2,200,000 were pledged as security for banking facilities.

Notes to the Financial Statements

31 December 2002

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

20. SHORT-TERM BORROWINGS

As of 31 December 2002, the Group's short-term bank loans amounted to RMB8,000,000 (2001: RMB11,000,000). Short-term bank loans bear interest ranging from 5.54% to 5.58% per annum (2001: from 5.02% to 6.14% per annum).

21. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	Group		Company	
	2002	2001	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	16,665	10,310	—	15
Over 90 days but within 180 days	376	283	120	—
Over 180 days but within 365 days	27	90	—	—
Above 365 days	24	497	—	—
	<u>17,092</u>	<u>11,180</u>	<u>120</u>	<u>15</u>

22. CUSTOMERS' DEPOSITS

Customers' deposits represented cash received from customers before software was installed and the hardware was delivered.

23. BILLS PAYABLE

As of 31 December 2002, the Group's bills payable were unsecured (2001: the Group's bills payable were secured by the Group's bank deposits of approximately HK\$1,400,000 (equivalent to RMB1,484,000)).

Notes to the Financial Statements

31 December 2002

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

24. TAX PAYABLE

	Group	
	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>
VAT payable	9,677	11,091
Others	97	1,021
	<u>9,774</u>	<u>12,112</u>

According to the PRC tax regulations, Singlee Software, Singlee Technology and Singlee Zhuhai are subject to VAT on its sales in the PRC, which is levied at the general rate of 17% on the gross price upon sales of goods. Input VAT paid on purchase of raw materials, semi-finished products, etc. is used to offset the VAT payable on sales to determine the net VAT payable.

Pursuant to document Caishui [2000] No. 25 issued by State Tax Bureau, effective from 24 June 2000, for companies engaged in the development and distribution of software, their revenues from sale of software are subject to VAT with applicable tax rate of 17% and are entitled to refund of any actual tax paid exceeding 3% of the revenue. The VAT refund of the Group has been accounted for as other operating income (see Note 4).

25. DEFERRED INCOME

The amount represented revenues on maintenance services which had not yet been recognised as income.

26. SHARE CAPITAL

	Number of shares	Nominal value	Nominal value
		<i>HK\$</i>	<i>RMB</i>
Authorised (Ordinary share of HK\$0.01 each)	<u>10,000,000,000</u>	<u>100,000,000</u>	<u>106,000,000</u>
Issued and fully paid (ordinary shares of HK\$0.01 each):			
As at 31 December 2002	<u>603,000,000</u>	<u>6,030,000</u>	<u>6,391,800</u>
As at 31 December 2001	<u>603,000,000</u>	<u>6,030,000</u>	<u>6,391,800</u>

Notes to the Financial Statements

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(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

27. RESERVES

Movements of reserves were:

	2002					2001	
	Share premium	Capital reserve	Revenue reserve	Cumulative translation adjustments	Retained profits	Total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group							
Balance as at beginning of year	59,123	3,435	4,454	4	12,276	79,292	11,700
Buyout of minority interests by majority shareholders	—	—	—	—	—	—	(480)
Premium on issue of ordinary shares, net of issues at nil consideration	—	—	—	—	—	—	74,593
Share issuance expenses	—	—	—	—	—	—	(10,828)
Capitalisation of share premium	—	—	—	—	—	—	(4,642)
Effect of reorganisation	—	—	—	—	—	—	(15)
Translation adjustments	—	—	—	—	—	—	4
Reverse over accrued profit to reserve fund	—	—	(1,350)	—	1,350	—	—
Profit appropriation to reserve fund	—	—	488	—	(488)	—	—
Transfer for distribution	—	(3,435)	—	—	3,435	—	—
Reverse over accrued share issuing expenses	144	—	—	—	—	144	—
Utilisation for the year	—	—	(46)	—	—	(46)	—
Net (loss)/profit for the year	—	—	—	—	(10,313)	(10,313)	10,460
Dividends	—	—	—	—	(3,196)	(3,196)	(1,500)
Balance as at end of year	<u>59,267</u>	<u>—</u>	<u>3,546</u>	<u>4</u>	<u>3,064</u>	<u>65,881</u>	<u>79,292</u>

Notes to the Financial Statements

31 December 2002

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

27. RESERVES (Cont'd)

	2002						2001
	Share premium	Capital reserve	Revenue reserve	Cumulative translation adjustments	Retained profits	Total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Company							
Balance as at beginning of year	59,123	6,653	—	—	13,462	79,238	(2,741)
Premium on issue of ordinary shares, net of issues at nil consideration	—	—	—	—	—	—	74,593
Share issuance expenses	—	—	—	—	—	—	(10,828)
Reverse over accrued share issuing expenses	144	—	—	—	—	144	—
Capitalisation of share premium	—	—	—	—	—	—	(4,642)
Effect of reorganisation	—	—	—	—	—	—	6,653
Transfer for distribution	—	(1,935)	—	—	1,935	—	—
Net (loss)/profit for the year	—	—	—	—	(10,894)	(10,894)	16,203
Dividends	—	—	—	—	(3,196)	(3,196)	—
Balance as at end of year	<u>59,267</u>	<u>4,718</u>	<u>—</u>	<u>—</u>	<u>1,307</u>	<u>65,292</u>	<u>79,238</u>

The PRC laws and regulations require wholly foreign-owned enterprises to provide for certain statutory funds, namely, reserve fund and staff and worker's bonus and welfare fund, which are appropriated from net profit after tax (based on the local statutory accounts of the Company's subsidiaries in the PRC) but before dividend distribution. The subsidiaries are required to allocate at least 10% of their net profit to the reserve fund until the balance of such fund has reached 50% of their respective registered capital. Appropriation to the staff and workers' bonus and welfare fund is at the discretion of the directors of such subsidiaries. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital. The staff and workers' bonus and welfare fund can only be used for special bonuses or collective welfare of the employees of the individual subsidiary, and assets acquired through this fund shall not be taken as the Group's assets. As of 31 December 2002, the reserve funds amounted to approximately RMB3,546,000 (2001: RMB4,454,000). Under IFRS, appropriations to the staff and workers' bonus and welfare fund have been included as expenses and the balance of the fund as a liability of the Group.

Notes to the Financial Statements

31 December 2002

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27. RESERVES (Cont'd)

Under the Companies Act 1981 of Bermuda ("Companies Act"), share premium and capital reserve are distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium and capital reserve if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital account.

As at 31 December 2002, the Company's reserves available for distribution to shareholders amounted to approximately RMB65,292,000, computed in accordance with the Companies Acts and the Company's articles of association. This includes the Company's share premium and capital reserve of approximately RMB59,267,000 and RMB4,718,000 respectively, plus retained profits of approximately RMB1,307,000. The Company can only distribute its retained profits provided that immediately following the date on which the dividend is proposed, the Company will be able to pay off its debts as they fall due in the ordinary course of business.

28. NOTES TO THE COMBINED STATEMENT OF CASH FLOWS

- (a) Reconciliation from (loss)/profit before tax to cash provided by operations:

	2002	2001
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss)/profit before tax	(10,313)	10,759
Reverse over accrued share issuing expenses	144	—
Utilisation of revenue reserve	(46)	—
Adjustments for:		
Written back of provision for doubtful debts	(190)	(663)
Loss on disposal of property, plant and equipment	251	—
Depreciation of property, plant and equipment	2,410	2,180
Amortisation of intangible assets	359	11
Interest expense	649	1,196
Interest income	(416)	(367)
Provisions for doubtful debts	1,219	—
	<hr/>	<hr/>
Operating (loss)/profit before working capital changes	(5,933)	13,116
(Increase)/decrease in inventories	(3,767)	1,275
Increase in trade receivables	(6,642)	(14,246)
Decrease/(increase) in deposits, prepayments and other receivables	3,000	(1,185)
Decrease in amount due from a director	—	455
Decrease/(increase) in amount due from ultimate holding company	21	(21)
Decrease in amounts due from related companies	—	5,002
Increase in trade payable	5,912	1,286
Increase in accruals and other payables	861	418
Decrease in customers' deposits	(2,257)	(5,566)
Decrease in amounts due to related companies	—	(1,133)
Increase/(decrease) in amount due to ultimate holding company	14	(5,569)
(Decrease)/Increase in tax payable	(2,338)	4,288
Increase/(decrease) in deferred income	50	(134)
	<hr/>	<hr/>
Cash used in operations	(11,079)	(2,014)
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

31 December 2002

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

28. NOTES TO THE COMBINED STATEMENT OF CASH FLOWS (Cont'd)

(b) Analysis of the balances of cash and cash equivalents

	2002	2001
	<i>RMB '000</i>	<i>RMB '000</i>
Cash and bank deposits	30,582	60,093
Fixed deposits	2,200	—
Bills payable	(1,848)	(1,476)
	<u>30,934</u>	<u>58,617</u>

29. RETIREMENT BENEFITS

The Company has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme, a defined contribution scheme managed by an independent trustee. Each of the Company and its employees made monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Company's and the employees' contributions are subject to a cap of HK\$1,000 per month and thereafter contributions are voluntary.

Subsidiaries of the Group, including Singlee Software, Singlee Technology and Singlee Zhuhai, participate in defined contribution retirement schemes organized by the relevant local government authorities in the PRC. Each employee covered by these schemes is entitled, after retirement, to a pension payment equal to the basic salary of the employees as of their retirement dates. Singlee Software, Singlee Technology and Singlee Zhuhai are required to make monthly contributions to the retirement scheme, up to the time of retirement of the eligible employees, at 22%, 20% and 10% respectively of their basic salaries. The local government authorities are responsible for the pension liabilities to these retired employees.

As of 31 December 2002, the Group had no significant obligation apart from the contribution as stated above.

Details of the pension contributions made by the Group, which have been dealt with in the combined results of operations of the Group for the current year, were as follows:

	2002	2001
	<i>RMB '000</i>	<i>RMB '000</i>
Contributions to retirement schemes	<u>1,429</u>	<u>1,342</u>

30. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The Group had the following significant transactions with related companies, Hangzhou Singlee Electronics Company Limited (“Singlee Electronics”) and Sing Lee Pharmaceutical Import & Export Co. Limited (“Sing Lee Pharmaceutical”), for the year ended 31 December 2002:

	Group	
	2002	2001
	RMB'000	RMB'000
Discontinuing transactions:		
Rental paid to Singlee Electronics for lease of office premises	—	193
Continuing transactions:		
Rental paid to Singlee Electronics for lease of office premises	126	97
Rental paid to Singlee Electronics for lease of Motor vehicles	168	239
Purchase of a motor vehicle from Singlee Electronics	201	—
Rental paid to Sing Lee Pharmaceutical for lease of office premises	427	—
Total	922	336

Note:

- (i) Singlee Electronics is a sino-foreign equity joint venture registered in the PRC. It is indirectly owned by Mr. Hung Yung Lai and Ms. Li Kei Ling.
- (ii) Sing Lee Pharmaceutical is a limited company incorporated in Hong Kong. It is owned by Mr. Hung Yung Lai and Ms. Li Kei Ling who are also the directors of the company.
- (iii) The above related party transactions were carried out in the normal course of its business.

31. CONTINGENT LIABILITIES

As of 31 December 2002, the Group had no significant contingent liabilities.

Notes to the Financial Statements

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(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

32. COMMITMENTS

a) Capital commitments

As of 31 December 2002, the Group did not have any significant authorised or contracted capital commitments.

b) Operating lease commitments

As of 31 December 2002, the Group had total future minimum lease payments under non-cancellable operating leases in respect of buildings and vehicles as follows:

	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>
Repayable:		
— not later than one year	3,106	1,416
— later than one year and not later than five years	1,112	2,682
	<u>4,218</u>	<u>4,098</u>

33. COMPARATIVE FIGURES

With a review of financial statements presentation, certain items in the financial statements were reclassified, which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform with the current year's presentation.

34. ULTIMATE HOLDING COMPANY

The directors regard Goldcorp Industrial Limited, a company incorporated in British Virgin Islands, as the ultimate holding company.

35. FINANCIAL INSTRUMENTS

The carrying amounts of the Group's cash and cash equivalents, trade 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 to hedge against fluctuations.

36. CONCENTRATION OF RISKS

a) Credit risk

The carrying amount of cash and cash equivalents, trade receivables, other receivables and due from related parties, represented the Group's maximum exposure to credit risk in relation to financial assets.

The majority of the Group's trade receivables related to sale of software and hardware to and maintenance service income from third party customers. The Group performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral on trade receivables. The Group maintains a provision for doubtful debts. The management of the Group consider that, under the Group's accounting policy for trade receivable, the year end provision for doubtful debts is adequate and not excessive, and actual losses have been within management's expectation. No single customer accounted for greater than 10% of total revenues during the year.

No other financial assets carry a significant exposure to credit risk.

b) Currency risk

Substantially all of the revenue-generating operations of the Group are transacted in RMB, which is not freely convertible into foreign currencies. On 1 January 1994, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted by the People's Bank of China. However, the unification of the exchange rate does not imply convertibility of RMB into Hong Kong dollars or other foreign currencies. All foreign exchange transactions continue to take place either through the People's Bank of China or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China. Approval of foreign currency payments by the People's Bank of China or other institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

c) Interest rate risk

The interest rates and terms of repayment of short-term bank loans of the Group are disclosed in Note 20.

d) Liquidity risk

The Group policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Members of Sing Lee Software (Group) Limited (“the Company”) will be held at Plaza 4, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 5 May 2003 at 10:00 a.m. for the following purposes:

- 1 To receive and consider the audited combined financial statements and the reports of the directors of the Company (the “Directors”) and the auditors (the “Auditors”) for the financial year ended 31 December 2002;
- 2 To re-elect retiring Director and authorize the board of Directors to fix her remuneration;
- 3 To re-appoint auditors and to authorise the board of Directors to fix their remuneration;
- 4 To consider and, if thought fit, pass the following resolutions as Ordinary Resolutions of the Company:

(A) **“THAT**

- (i) subject to sub-paragraph (ii) of this resolution, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares) which might require the exercise of such powers either during or after the Relevant Period, be and is hereby generally and unconditionally approved.
- (ii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in sub-paragraph (i) of this resolution, otherwise than pursuant to (a) a Rights Issue (as defined below), (b) the exercise of warrants to subscribe for shares of the Company or the exercise of any options granted under the share option scheme adopted by the Company, or (c) an issue of shares of the Company in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and this approval shall be limited accordingly; and
- (iii) for the purpose of this resolution:

“Relevant Period” means the period from the date of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and

- (c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution in general meeting.

“Rights Issue” means offer of shares of the Company open for a period fixed by the Directors to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to overseas shareholders or fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

(B) **“THAT**

- (i) subject to paragraph (ii) below, the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to repurchase issued shares in the capital of the Company on the Stock Exchange or any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose, subject to and in connection with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the GEM or of any other stock exchange as amended from time to time, be and the same is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of shares of the Company which the Company is authorised to repurchase pursuant to the approval in sub-paragraph (i) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and this approval shall be limited accordingly; and
- (iii) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and
- (c) the date on which the authority sets out for this resolution is revoked or varied by an ordinary resolution in general meeting.”

Notice of Annual General Meeting

- (C) “**THAT** conditional upon ordinary resolutions nos. 5(A) and 5(B) above being passed, the aggregate nominal amount of shares of the Company which are repurchased by the Company under the authority granted to the Directors of the Company as mentioned in ordinary resolution nos. 5(B) above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to ordinary resolution no. 5(A) above.”

By Order of the Board

Hung Yung Lai

Chairman

Hong Kong, 28 March 2003

Registered office:

Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

Head office and principal place of business:

32nd Floor, Morrison Plaza
5-9A Morrison Hill Road
Wanchai
Hong Kong

Notes:

- (a) The Register of Members will be closed from Tuesday, 29 April 2003 to Monday, 5 May 2003 (both days inclusive), during which period no transfer of shares can be registered.
- (b) All transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrars in Hong Kong, Abacus Share Registrars Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 28 April 2003.
- (c) A Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a Member of the Company.
- (d) To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's principal office at 32nd Floor, Morrison Plaza, 5-9A Morrison Hill Road, Wanchai, Hong Kong not less than 48 hours before the time for holding the Meeting.
- (e) An explanatory statement containing further details regarding Resolutions 4 above will be sent to shareholders together with the 2002 Annual Report.