



SING LEE SOFTWARE (GROUP) LIMITED

新利軟件(集團)股份有限公司*

(incorporated in Bermuda with limited liability)

**FIRST QUARTERLY REPORT
FOR THE THREE MONTHS ENDED
31 MARCH 2003**

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

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

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This report, for which the directors of Sing Lee Software (Group) Limited 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 Sing Lee Software (Group) Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The board of directors (“Board”) of Sing Lee Software (Group) Limited (the “Company”) announce the unaudited results (the “results”) of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2003, together with the unaudited comparative figures for the corresponding period in 2002, as follow:

UNAUDITED COMBINED STATEMENT OF INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2003

		Three months ended 31 March	
		2003	2002
	<i>Note</i>	RMB'000	RMB'000
Turnover	2	6,244	8,371
Cost of sales		(7,282)	(5,649)
Gross (loss)/profit		<u>(1,038)</u>	<u>2,722</u>
Distribution costs		(4,932)	(3,480)
General and administrative expenses		(6,823)	(5,515)
Other operating income		576	467
Loss from operations		<u>(12,217)</u>	<u>(5,806)</u>
Finance cost		(212)	(110)
Loss before taxation		<u>(12,429)</u>	<u>(5,916)</u>
Taxation	3	(3)	(32)
Loss after taxation		<u>(12,432)</u>	<u>(5,948)</u>
Minority interests		0	0
Loss attributable to shareholders		<u><u>(12,432)</u></u>	<u><u>(5,948)</u></u>
Loss per share			
— Basic	4	<u><u>RMB(2.06) cents</u></u>	<u><u>RMB(0.99) cents</u></u>
— Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

Notes:

1. Basis of preparation

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

The Group principally operates in the People’s Republic of China (the “PRC”) and its business activities are principally transacted in Renminbi (“RMB”), the results are prepared in RMB.

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

2. Turnover

Turnover represents revenue from sale of computer software and hardware, and maintenance income. Turnover comprises the following:

	Three months ended	
	31 March	
	2003	2002
	RMB'000	RMB'000
Sales of software	2,231	3,099
Sales of hardware	3,245	4,365
Maintenance income	768	907
	<u>6,244</u>	<u>8,371</u>

3. Taxation

	Three months ended	
	31 March	
	2003	2002
	RMB'000	RMB'000
PRC taxation (<i>Note a</i>)	3	—
PRC enterprise income tax	—	32
	<u>3</u>	<u>32</u>

Hong Kong profits tax has not been provided as the Group had no income assessable for profits tax in Hong Kong for the three months ended 31 March 2003 (2002: Nil).

PRC enterprise income tax has not been provided as the Group had no estimated assessable profits for the three months ended 31 March 2003 (2002: RMB32,000).

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

Notes:

(a) Tax paid in respect to interest income of PRC source.

4. Loss per share

The calculation of the Group's basic loss per share is based on the Group's unaudited combined loss attributable to shareholder of approximately RMB12,432,000 (2002: a loss of approximately RMB5,948,000) divided by the weighted average number of ordinary shares outstanding as at 31 March 2003 of 603,000,000 shares (2002: 603,000,000 shares).

No diluted loss per share was presented as the exercise of share options would have an anti-dilutive effect during the reported periods.

5. Movement of reserves

	Share Premium RMB'000	Capital Reserve RMB'000	Revenue Reserve RMB'000	Cumulative Translation Adjustments RMB'000	Retained Earnings/ (Accumulated Losses) RMB'000	Total RMB'000
Balance as at 1 January 2003	59,267	—	3,546	4	3,064	65,881
Translations difference	—	—	—	7	—	7
Loss for the period	—	—	—	—	(12,432)	(12,432)
Balance as at 31 March 2003	<u>59,267</u>	<u>—</u>	<u>3,546</u>	<u>11</u>	<u>(9,368)</u>	<u>53,456</u>
Balance as at 1 January 2002	59,123	3,435	4,454	4	12,276	79,292
Loss for the period	—	—	—	—	(5,948)	(5,948)
Dividend declared	—	—	—	—	(3,196)	(3,196)
Reclassification	—	(1,500)	—	—	1,500	—
Utilization during the period	—	—	(47)	—	—	(47)
Balance as at 31 March 2002	<u>59,123</u>	<u>1,935</u>	<u>4,407</u>	<u>4</u>	<u>4,632</u>	<u>70,101</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2003 (2002: Nil).

BUSINESS REVIEW

Financial Review and Results of Operations

For the three months ended 31 March, 2003, the Group recorded a total turnover approximately RMB6,244,000 and loss attributable to shareholders of approximately RMB12,432,000, as compared to a total turnover of approximately RMB8,371,000 and loss attributable to shareholders of approximately RMB5,948,000 for the same period of last year.

Decrease in turnover as compared to the same period of last year was mainly due to the following reasons: seasonal fluctuation as a result of Chinese New Year holidays, the peak season of financial software purchase of the PRC normally occur in the second half of the year and keen price competition with our competitors.

At the time of turnover decline for both banking sector and securities sector as compared to the same period of last year, the Group still maintains a fixed number of engineering and technical staff to provide software installation and after-sales maintenance and supporting services for customers. As such kind of expenses, salaries of engineers and technical staff, do not change with the Group's seasonal fluctuation on turnover, this attributable to the gross loss of the current period. In addition, decline in the gross profit margin of some of the Group's products such as POS payment also attribute to the decrease in gross profit margin as compared to the same period of last year.

BUSINESS REVIEW (Cont'd)

Financial Review and Results of Operations

The increase in distribution costs and general and administration expenses were mainly due to increase in promotional expenses of new products for the banking and securities sector, such as personal banking and Centralized Software Platform (“CSP”).

Products and Research and Development

Banking sector:

We have completed development and testing of Centralized Foreign Exchange Trading System (集中式外匯買賣系統) for Shanghai Pudong Development Bank. It is expected that the system will be officially launched online in May.

We are preparing for the participation in the second phrase of modification project of Bank/Brokerage Firm Account Transfer System for the headquarters of the Bank of China.

Securities sector:

We have completed the product design, research and development of ALLWEB, CSP and New Generation Platform (“NGP”).

Market Expansion

Banking sector:

Our President, Vice President, General Manager and Chief Sales Manager have visited the management of all banks at their headquarters to exchange in-depth view and find out the development trend and business demand of banking business of the year, so as to seek opportunities from them. We have also determined the manner of cooperation with POS vendors and entered into product agency agreement. With the invitation by 中國銀聯商務公司, the Company’s senior management have also contacted the senior officers of 中國銀聯 and discussed with them for the matters relating to the future cooperation between us. The Group has participated in the “Seminar on the Billings for Foreign Credit Cards (外卡收單討論會) which was organized by the Industrial and Commercial Bank of China in 珠海軟件開發中心, whereby the upgraded version for the billing of foreign credit cards of the headquarters of the Industrial and Commercial Bank of China has been determined.

Securities sector:

The Group has completed the product design of ALLWEB, CSP and NGP. However, with continued slump of the securities business in the PRC, our existing and potential clients have reined in their IT budgets. As a result, Hangzhou Singlee Software Company Limited, the subsidiary of the Group engaging in securities business in the PRC, has incurred an accumulated loss of approximately RMB20,000,000 in its combined income statement for the period from January 2002 to March 2003. As such, the Group is preparing for strategic cooperation with domestic and international IT operators, and is considering opening up its technical platform and establishing an outsourcing market sales mechanism and other mode of co-operation, which involving innovations in the method of commercial sales.

FUTURE OUTLOOK

Banking business:

In current year, the Group will maintain the steady development of POS. We are working hard with a view to increase our market share. At the same time, the Group will enter into other segments of banking software, such as personal banking.

Securities business:

In this year, development of the Group's securities business has seen great challenges. The Group is prepared to maximize its return through technology innovation and adjustment on existing sales manner.

The Group considers that the IT industry is experiencing a period of low cost expansion. As a result, the Group will enhance work efficiency and cut labour costs in order to improve the operational efficiency of the Company.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003, 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 March 2003.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 March 2003, 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	Personal interests	Number of ordinary shares		
		Family interests	Corporate interests	Other interests
Mr. Hung Yung Lai (<i>note 1</i>)	Nil	Nil	306,000,000	Nil
Ms. Li Kei Ling (<i>note 1</i>)	Nil	Nil	306,000,000	Nil

Shares in associated corporation:

Name of directors	Personal interests	Number of ordinary shares in Goldcorp Industrial Limited (<i>note 2</i>)		
		Family interests	Corporate interests	Other interests
Mr. Hung Yung Lai	1	Nil	Nil	Nil
Ms. Li Kei Ling (<i>note 3</i>)	Nil	Nil	1	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 at 31 March 2003 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.

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

Mr. Patrick Duan resigned as director on 19 March 2003, the share options granted to Mr. Patrick Duan lapse on the date on which Mr. Patrick Duan cease to be an employee of the Company.

Save as disclosed above, as at 31 March 2003, 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.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the period 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.

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 March 2003 were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and who were able, as a practical matter, to direct or influence the management of the Company.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

There were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the three months ended 31 March 2003.

COMPETING INTERESTS

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

AUDIT COMMITTEE

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

The audit committee has reviewed this unaudited quarterly results for the three months ended 31 March 2003.

SPONSOR'S INTEREST

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 as at 31 March 2003.

By Order of the Board
Hung Yung Lai
Chairman

Hong Kong, 13 May 2003