



SING LEE SOFTWARE (GROUP) LIMITED

新利軟件(集團)股份有限公司*

(incorporated in Bermuda with limited liability)

**QUARTERLY REPORT
FOR THE THREE MONTHS ENDED
31 MARCH 2004**

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

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

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

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

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

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 of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2004, together with the unaudited comparative figures for the corresponding periods in 2003, as follows:

UNAUDITED COMBINED STATEMENT OF INCOME

	<i>Note</i>	Three months ended 31 March	
		2004	2003
		<i>Rmb'000</i>	<i>Rmb'000</i>
Turnover	2	2,674	6,244
Cost of sales		<u>(3,851)</u>	<u>(7,282)</u>
Gross Loss		(1,177)	(1,038)
Distribution costs		(1,738)	(4,932)
General and administrative expenses		(5,585)	(6,823)
Other operating income	3	<u>3,606</u>	<u>576</u>
Loss from operations		(4,894)	(12,217)
Finance costs		<u>(83)</u>	<u>(212)</u>
Loss before tax		(4,977)	(12,429)
Taxation	4	<u>(55)</u>	<u>(3)</u>
Loss after tax		(5,032)	(12,432)
Minority interests		<u>—</u>	<u>—</u>
Loss attributable to shareholders		<u><u>(5,032)</u></u>	<u><u>(12,432)</u></u>
Loss per share			
- Basic	5	<u><u>Rmb(0.83) cents</u></u>	<u><u>Rmb(2.06) cents</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital (unaudited) <i>Rmb'000</i>	Share premium (unaudited) <i>Rmb'000</i>	Capital reserve (unaudited) <i>Rmb'000</i>	Revenue reserve (unaudited) <i>Rmb'000</i>	Cumulative translation adjustment (unaudited) <i>Rmb'000</i>	Retained earnings/ (Accumulated losses) (unaudited) <i>Rmb'000</i>	Total (unaudited) <i>Rmb'000</i>
As at 1 January 2004	6,392	59,267	–	3,613	14	(28,697)	40,589
Translation adjustment	–	–	–	–	–	–	–
Loss for the period	–	–	–	–	–	(5,032)	(5,032)
As at 31 March 2004	<u>6,392</u>	<u>59,267</u>	<u>–</u>	<u>3,613</u>	<u>14</u>	<u>(33,729)</u>	<u>35,557</u>
As at 1 January 2003	6,392	59,267	–	3,546	4	3,064	72,273
Translation adjustment	–	–	–	–	7	–	7
Loss for the period	–	–	–	–	–	(12,432)	(12,432)
As at 31 March 2003	<u>6,392</u>	<u>59,267</u>	<u>–</u>	<u>3,546</u>	<u>11</u>	<u>(9,368)</u>	<u>59,848</u>

NOTES TO THE COMBINED STATEMENT OF INCOME

1. Basis of preparation and principal accounting policies

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 consolidation.

The principal accounting policies and methods of computation adopted for the preparation of the financial statements are the same and consistent with those adopted by the Group in its audited annual financial statements for the year ended 31 December 2003.

2. Turnover

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

	(Unaudited)	
	Three months ended	
	31 March	
	2004	2003
	Rmb'000	Rmb'000
Sales of software	2,047	2,231
Sales of hardware	558	3,245
Maintenance income	69	768
	<u>2,674</u>	<u>6,244</u>

3. Other operating income

	(Unaudited)	
	Three months ended	
	31 March	
	2004	2003
	Rmb'000	Rmb'000
Others	3,460	—
Interest income	17	22
Value added tax refund	129	554
	<u>3,606</u>	<u>576</u>

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 value added tax with applicable tax rate of 17% and are entitled to refund of value added tax paid exceeding 3% of the revenues. The value added tax refund of the Group has been accounted for as other operating income.

4. Taxation

	(Unaudited)	
	Three months ended	
	31 March	
	2004	2003
	Rmb'000	Rmb'000
Other PRC taxation (<i>Note a</i>)	—	3
Business tax	55	—
	<u>55</u>	<u>3</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 2004 (three months ended 31 March 2003: Nil).

PRC enterprise income tax approximately amounting to Rmb55,000 has been provided at the rate of 33% on the estimated assessable profits for the three months ended 31 March 2004 in the PRC (three months ended 31 March 2003: Nil).

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

Note:

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

5. Loss per share

The calculation of the Group's basic loss per share for the three months ended 31 March 2004 is based on the Group's unaudited loss attributable to shareholders of approximately Rmb5,032,000 (three months ended 31 March 2003: loss attributable to shareholders of approximately Rmb12,432,000) divided by the weighted average number of ordinary shares outstanding for three months ended 31 March 2004 of 603,000,000 shares (three months ended 31 March 2003: 603,000,000 shares) in issue respectively.

Diluted loss per share has not been presented as the exercise of share options would have an anti-dilutive effect during the three months ended 31 March 2004 and three months ended 31 March 2003.

6. Dividend

The Board does not recommend the payment of dividend for the three months ended 31 March 2004 (three months ended 31 March 2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review and Results of Operations

For the three months ended 31 March 2004, the Group recorded a total turnover approximately RMB2,674,000 and loss attributable to shareholders of approximately RMB5,032,000, as compared to a total turnover of approximately RMB6,244,000 and loss attributable to shareholders of approximately RMB12,432,000 for the same period of last year.

Decrease in turnover as compared to the same period of last year was mainly due to the sales development and promotion of new products being at the initial stage of the product life cycle. On the other hand, the diminishing sales of old products was also contributed to the reason of decrease in turnover.

From the past experience of the Group, because of seasonal fluctuation as a result of Chinese New Year holidays and the peak season of financial software purchase in the PRC normally taking place in the second half of the year, the loss in the first quarter is a common business scenario.

In additions, although the turnover decreased as compared to the same period of last year and the loss attribute to shareholders also decreased too. It was mainly due to the successful control on the cost of sales including the development costs and the distribution costs. However, the general and administrative expenses increased proportionally because of the bad debts provision amounting to Rmb2,500,000.

Business Review

Banking Business

Upon reviewing, analyzing and evaluating its future overall direction and diversifying the scope of operations and targets of various departments during the management meeting at the beginning of the year, the Group has planned to focus on marketing and promotion of new products for the banking business, such as the asset and liabilities management system, the fund transaction system and international clearing system at the beginning of 2004. Response from the market has been promising. The head office of Fujian Industrial Bank has entered into a contract with the Group. In the second quarter, the Group negotiated and met with a few banks. Basically, initial success has been achieved. At the same time, in order to enhance our understanding with the Bank of China, the head office of the Bank of China held a work meeting for the retail industry of the year 2004. The Group has received its major clients and conducted business exchange. In addition, during the POS training seminar held by the Industrial and Commercial Bank, Shaaxi Branch in Hangzhou, the Group conducted training courses on POS software and hardware for a period of three days together with 利普門公司(Lipman) .

Securities Business

During the past year, the securities business remained sluggish. In the first quarter of 2004, the situation was improved and became clear. In order to further initiate products for the securities industry as developed by the Group, such as centralized trading system, the Group has explored intention of cooperation with certain securities company and further negotiation will be conducted. It is expected that progress can be made in the second quarter.

Education Business

Products for the education industry is a new kind of business developed by the Group. It is devoted to develop applications for the education sector. At present, a fee collection system named (electronic payment system for colleges) were developed for a few tertiary institutions such as the Adult Education Institute of Zhejiang University. Good response were received. Income was recorded since the first quarter of the year. At the same time, the Group is discussing with a few tertiary institutions.

Future Outlook

Apart from the development of the three products above, the Group started to plan and determine the overall structure at the beginning of the year, with an aim to further reduce cost and strengthen sales. Implementation of the same commenced in the second quarter of the year. It is expected that progress can be made in the second quarter and the Group can achieve its targets for the whole year. Looking ahead, the Group will remain cautious and optimistic. It will take advantage of its own strengths, reduce its shortcomings and fulfill its visions and goals.

The Ministry of Science and Technology and the Science and Technology Bureaus of various provinces and cities arranged a team of over one hundred people to visit the Group's research and development centre and administrative research and development centre. They showed enthusiastic interests in our innovative technological products and were confident in the enterprise and its development.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 31 March 2004, shareholders (other than directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, directly, or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity/ Nature of interest	Number of shares held		Percentage of shareholding
		Long position	Short position	
Goldcorp Industrial Limited	Beneficial interest	306,000,000 (note 1)	—	50.7%
Great Song Enterprises Limited	Corporate interest	306,000,000 (notes 1 and 2)	—	50.7%
Mr. Hung Yung Lai	Corporate interest	306,000,000 (notes 2 and 4)	—	50.7%
Ms. Li Kei Ling	Corporate interest	306,000,000 (notes 2 and 3)	—	50.7%
Ms. Iu Pun	Family interest	306,000,000 (note 5)	—	50.7%

Notes:

1. Goldcorp Industrial Limited is a company incorporated in the British Virgin Islands equally owned by Mr. Hung Yung Lai and Great Song Enterprises Limited which in turn is wholly owned by Ms Li Kei Ling.
2. The Shares were held by Goldcorp Industrial Limited.
3. Ms. Li Kei Ling controls more than one third of the voting power of Great Song Enterprises Limited which in turn holds more than one third of the voting power of Goldcorp Industrial Limited. Ms Li Kei Ling is deemed, by virtue of the SFO, 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 SFO, to be interested in the same 306,000,000 shares held by Goldcorp Industrial Limited.
5. These shares are beneficially owned by Goldcorp Industrial Limited as mentioned in Note 4 of above. Mr. Hung Yung Lai is deemed to be interested in the same 306,000,000 shares held by Goldcorp Industrial Limited. Ms. Iu Pun is the wife of Mr. Hung Yung Lai and is deemed to be interested in these shares in which Mr. Hung Yung Lai is deemed or taken to be interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2004, the directors or chief executives of the Company were not aware of any other person (other than directors or chief executives of the Company) who had an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or any other substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 March 2004, the interests or short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required to be entered into the register required to be kept by the Company, pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.66 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Shares in the Company:

Name of directors	Capacity/ Nature of interest	Number of shares held		Percentage of shareholding
		Long position	Short position	
Mr. Hung Yung Lai	Corporate interest	306,000,000 <i>(note 1)</i>	—	50.7%
Ms. Li Kei Ling	Corporate interest	306,000,000 <i>(note 1)</i>	—	50.7%

Shares in associated corporation:

Name of directors	Capacity/ Nature of interest	Number of ordinary shares held in Goldcorp Industrial Limited <i>(note 2)</i>		Percentage of shareholding
		Long position	Short position	
Mr. Hung Yung Lai	Personal interest	1	—	50.7%
Ms Li Kei Ling	Corporate interest <i>(note 3)</i>	1	—	50.7%

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 SFO, 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 March 2004 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.

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 March 2004 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 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.

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 outstanding as at 1 January 2004	Number of share options granted during the period	Number of share options exercised during the period	Number of share options cancelled during the period	Number of share options lapsed during the period	Number of share options outstanding as at 31 March 2004
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
Continuous contract employees (other than directors)	7 September 2002 to 7 April 2012	21,350,000	-	-	-	-	21,350,000
		<u>26,830,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,830,000</u>

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.

Save as disclosed above, as at 31 March 2004, none of the directors, chief executives, or their respective associates had any interest or short position in the shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of listed issuers as referred to in Rules 5.46 to 5.66 of the GEM Listing Rules.

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

There was no purchase, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the three months ended 31 March 2004.

COMPETING INTERESTS

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

BOARD PRACTICES AND PROCEDURES

During the three months ended 31 March 2004 the Company has complied with Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee on 27 August 2001 with written terms of reference in compliance with the requirements of Rules 5.28 to 5.33 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 members of the Group's audit committee are as follows:

Name	Position in the audit committee	Position in the Board of Directors
Mr. Pao Ping Wing	Chairman	Independent Non-Executive Director
Prof. Pan, Yun He	Member	Independent Non-Executive Director

The audit committee has reviewed and commented in the Company's quarter report for the three months ended 31 March 2004.

By Order of the Board
Hung Yung Lai
Chairman

Hong Kong, 14 May 2004