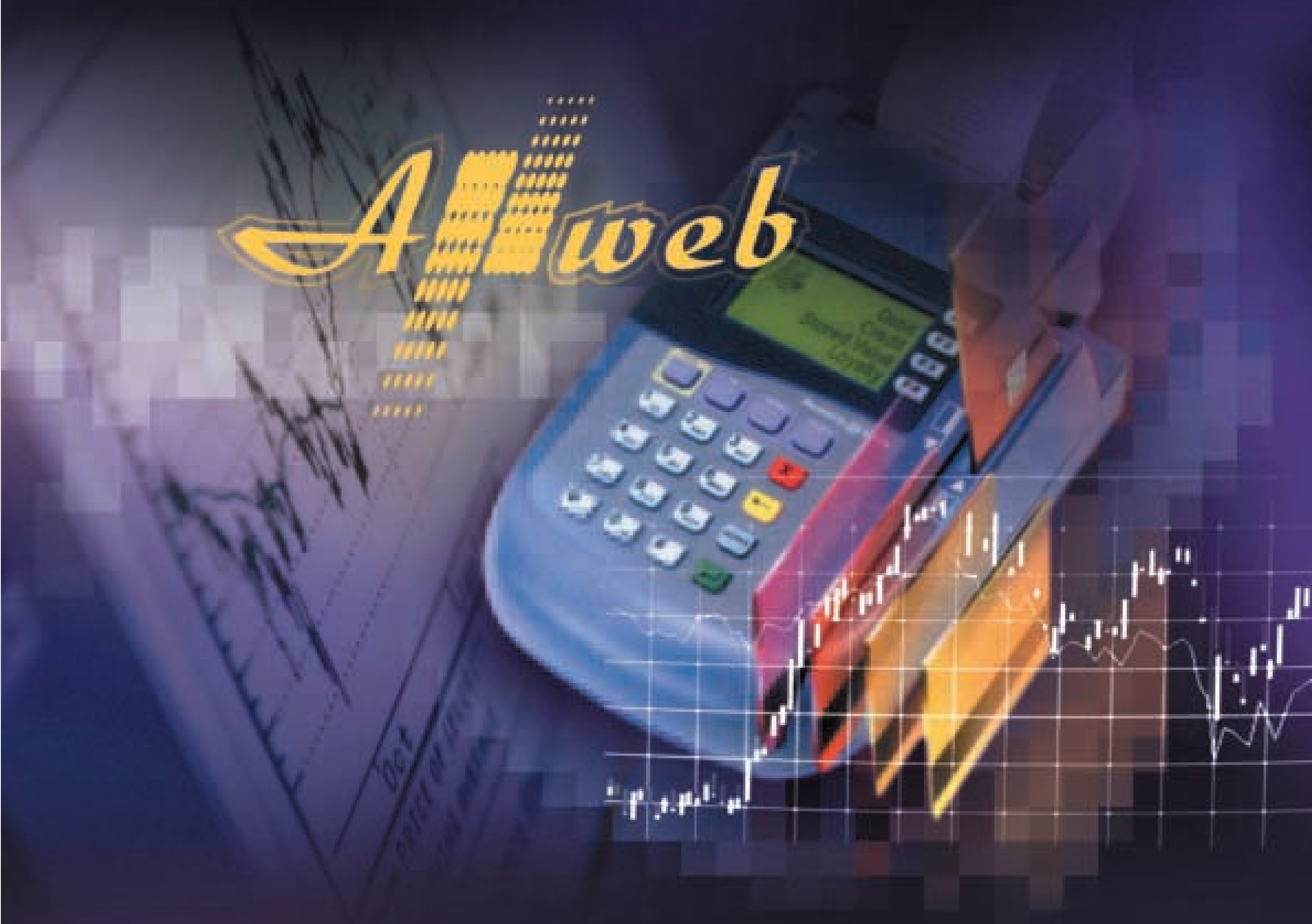
SING LEE SOFTWARE (GROUP) LIMITED

新利軟件(集團)股份有限公司

(Incorporated in Bermuda with limited liability)



Annual Report 2004

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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 annual report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

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 (resigned on 6 January 2004)
Xu Shu Yi (appointed on 6 January 2004)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Pan Yun He (resigned on 16 December 2004)
Pao Ping Wing
Tam Kwok Hing (appointed on 30 September 2004)
Lo King Man (appointed on 15 March 2005)

COMPANY SECRETARY
Lau Ying Kit, CPA
(resigned on 21 January 2005)
Lee Wing Cheung, CPA, ACCA
(appointed on 21 January 2005)

QUALIFIED ACCOUNTANT
Lau Ying Kit, CPA
(resigned on 21 Jaunary 2005)
Lee Wing Cheung, CPA, ACCA
(appointed on 21 January 2005)

COMPLIANCE OFFICER
Hung Yung Lai

AUTHORISED REPRESENTATIVES
Hung Yung Lai

AUDIT COMMITTEE
Pao Ping Wing *(Chairman)*
Tam Kwok Hing
Lo King Man

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

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 2004 Annual Report of the Group.

BUSINESS REVIEW AND ANALYSIS

Results of this year was more satisfactory than that in the previous year. The Group's losses significantly reduced from over RMB31 million to RMB2.3 million this year. Improvement of the results was attributable to the initial effect of the Group's cost control, resulting in the significant reduction in various expenditures, and more importantly, was attributable to the efforts and dedication of the various levels of the management and the whole staff in the past year, enabling the Group to obtain initial success from its conversion, and the new products gradually bringing profits to the Group.

Banking Business

The Group's existing banking products are basically the peripheral products and non-core products. Commencing from 2004, the Group has been focussed in the concentrated and steady investments on risk control products such as assets and liabilities management systems, capital transaction system and international settlements which were required to be enhanced by banks, and cooperated with internationally reputable MISYS, IPS-SENDERO. Currently, the Group has developed 6 bank headquarters, signed contracts with 5, with market coverage occupying the top place in similar products nationwide, which are mainly concentrated in two major items, namely capital and assets and liabilities.

Another principal business, the electronic payment platform cable and wireless POS machine, has been transformed from provincial and branch product sales and technical services, and developed to be focussed in the main offices and headquarters of the Bank Union（銀聯）. This year, the business has entered into（中總行）and headquarters of the Bank Union（銀聯）, setting down a foundation for the comprehensive development of the overall business and partial business in future. Enhancement of the Group's（外滙寶）product has been completed, and has been installed in the headquarters of two banks. It is estimated that more banks will order for the Group's upgraded versions.

Securities Business

In respect of the securities industry in the PRC, although the securities market in the PRC remained sluggish, the Group's new combined version and upgraded version of bank transfers have obtained recognition from a number of banks, with contracts entered into with the Group. This evidenced the Group's new combined version had been able to meet requirement in market development, It is anticipated that more market coverage will be secured in future.

Education Business

In respect of education business, the Group successfully launched the School-Banking Financial Fees Collecting System and other School-Banking products. Many colleges and schools within and outside the province, including Zhejiang University, Zhejiang Education College, Ningbo Engineering College, have indicated their interests to the Group's products, with contracts entered into and implemented on some of the items, bringing revenue to the Group as expected. Through the efforts in the past year, the School-Banking products have secured partial market coverage in the PRC, and have established the Singlee brand-name, in particular in Zhejiang province, and have also entered the markets in the Guangdong province and Hunan province.

FUTURE OUTLOOK

With the Group's increased investments and marketing of the core products such as risk control and management information of banks, the Group's products will have more potential in a couple of years to come. 2005 and 2006 will be the second and third years of the Company's conversion, and in order to obtain the ultimate success, the Group will put double efforts in the following:

1. To maintain market share for its bank risk control products, in particular for bank headquarters and commercial banks within the top three in the PRC. We shall continue to establish an excellent team, enhance supplements of high caliber personnel, with education and upgrading to the existing team, and strengthen the closer collaboration with MYSIS and IPS-SENDERO in a scientific and effective manner.

2. Besides maintaining the existing advantages of the electronic payment platform, to further transform it to a POS provider professional team. After 2006, the various major banks will change from their cooperation with the providers of various domestic and overseas brands to be with excellent service providers, and by leveraging on the 12 years of foundation and industrial position, experience and brand-name, Singlee is determined to secure its position as the top three, and gradually rising to the top. The financial business department will rapidly set up a complete plan covering overall planning and gradual implementation. The Group will also provide its full supports, and treat it as a key job.

3. The Group's subsidiaries and functional departments must develop towards high calibre and professionalism. Its core team must comprise of high profile experts from the domestic and international pool with strong comprehensive capabilities. The Group must select the right candidate to pioneer its multi-fold growth.

4. To expand its business in the capital market step by step, so as to achieve increase or significant increase in the profits of its products, to strive to expand market shares, especially in the banking core business such as risk control and electronic payment platform, to rapidly grow stronger and establish its industrial position, setting down a really reliable foundation for the capital operations.

5. While exploring for resources, to further set up a plan of optimization and cost control, and once the plan is set, it should be strictly implemented, also to further upgrade the mechanism of risk control and its implementation.

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 thanks to the customers, cooperation partners, suppliers and bankers for their confidence and trust in the Group.

Hung Yung Lai
Chairman

24 March 2005

Management Discussion and Analysis

FINANCIAL REVIEW

The Group is principally engaged in the development and sales of information and network technologies and services to the financial industry in the People's Republic of China (the "PRC").

For the year ended 31 December 2004 ("the financial year"), the recorded turnover and net loss for the group are RMB40,303,000 and RMB2,346,000 respectively. Although turnover increased only by 6.5% compared with last year, net loss reduced significantly by 92.6% to RMB2,346,000 (net loss for last year was RMB31,667,000). The reasons of loss decrease were mainly due to successful cost control and better profit margin of new products.

Consolidated turnover of the Group during the financial year were approximately RMB40,303,000 (last year were RMB37,848,000). Turnover of the Group comprises of:

	Turnover	
	2004	2003
	RMB'000	*RMB'000*
Sales of software	**9,619**	18,396
Sales of hardware	**17,062**	15,622
Maintenance income	**13,622**	3,830
	40,303	37,848

Although the recorded turnover was similar to last year, cost of goods sold reduced dramatically by 40% to RMB23,141,000 (2003: RMB38,863,000). The Group was thus recorded a gross profit of RMB17,162,000 (2003: gross loss RMB1,015,000). The reasons for the decrease in cost of goods sold were the result of better profit margin of new products and successful cost control.

Besides the direct cost, indirect distribution cost also decreased from RMB15 million of last year to approximately RMB7 million of this year, a nearly 53% reduction. Of which salary and business trip are those expense which decreased the most.

Another reasons for the decrease in net loss of the Group was the reduction in General and Administrative expenses. The recorded figure for the financial year were approximately RMB19 million which shows 20% decrease compared with last year. Besides the reduction of salary expenses, relatively smaller amount for bad debts written off in this financial year also lead to the decrease in General and Administrative expenses.

Due to the above reasons, financial performance of this financial year improved significantly compared with last year. With further development of new products and cost control, financial performance will have further improvement in year 2005.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING RATIO

As at 31 December 2004, the Group had bank borrowings at prime rate of RMB5.1 million (2003: nil), all represented short term-bank loans repayable within one year with interest bearing at the prime rate.

No interest was capitalized by the Group during the year (2003: nil).

As at 31 December 2004, the Group held cash and cash equivalents denominated in RMB, US dollars and HK dollars, amounted to approximately RMB10.7 million.

The gearing ratio of the Group, based on total liabilities over total assets, as at 31 December 2004 was approximately 43% (2003: 50%).

ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 16 June 2004, the Group completed the acquisition of 100% interest in 北京世紀興融資訊有限公司（「世紀興融」）, subject to an amount of RMB1 million. After the completion of the acquisition, the Group's entitlement to the relevant portion of 世紀興融's revenue and net loss for the period from 1 January 2004 to 16 June 2004 were approximately RMB410,053 and RMB45 respectively.

Other than the above mentioned, the group had no material acquisitions or disposals of subsidiaries and affiliated companies, or significant investments during the year under review.

SEGMENTAL INFORMATION

Saved as disclosed on note 13 of the notes to the financal 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 2004, the Group had 146 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 RMB10.070 million.

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 2004, 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.

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 2004, the Group did not have any material contingent liabilities (2003: nil).

PROSPECTS OF NEW PRODUCTS

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

FIVE YEARS FINANCIAL SUMMARY OF THE GROUP

	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001	Year ended 31 December 2000
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**40,303**	37,848	62,853	70,416	87,028
(Loss) / Profit attributable to shareholders	**(2,346)**	(31,667)	(10,313)	10,460	10,826
Total assets	**66,873**	80,559	117,729	131,526	62,484
Total liabilities	**(28,631)**	(39,970)	(45,456)	(45,842)	(50,678)
Net assets	**38,242**	40,589	72,273	85,684	11,806

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases and sales for the year ended 31 December 2004 attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	57%
— five largest suppliers combined	91%
Sales	
— the largest customer	29%
— five largest customers combined	52%

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 60, Chairman of our Group and director of Strategic Development Committee. Mr. Hung, who graduated from Shanghai Conservatory of Music, is also among the founders of the Group. He is in possession of more than 20 years' company management and strategy programming experience and 8 years' successful experience in managing high-tech companies; hence he is familiar with the China business management and marketing planning. Mr. Hung is now in charge of the Group's macro-strategy and the enterprise's development.

Mr. Cui Jian, aged 51, Director and Vice Chairman of our Group. Mr. Cui is one of the founders of Hangzhou Singlee Software Co., Ltd. and has been working for our Group since its founding in 1993. Mr. Cui is responsible for the investment programming of the Group. Before joining the Group, he used to work for China Hangzhou Automatization Research Institute and Hangzhou Huayuan Computer Application Research Institute as director and president of their Developing Departments.

Mr. Xu Shuyi, aged 40, Director of our Group. Mr. Xu acquired professional accountant qualification in 1995 in China . Mr. Xu has over 20 years' company financing and executive director's experience in various industries like real estate developing, hotel industry and food-manufacturing industry. He is now taking charge of the Group's financial strategy and planning and he participates in many important financial strategy of our Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDITING COMMITTEE

Mr. Pu Bingrong, aged 57, independent non-executive director of the Group and Chairman of the Auditing Committee. Mr. Pu was named independent non-executive director of Oriental Press Group Ltd. in 1987 and was nominated Peace Gentleman in Hong Kong in the same year. Mr. Pu used to work for three public listed companies in Hong Kong as their independent non-executive director, which provide him with abundant experience of over 17 years concerning this position.

Mr. Tam, Kwok Hing, aged 57, independent non-executive director of the Group, is the fellow member of the Association of Chartered Certified Accountants (U.K.) and the Hong Kong Institute of Certified Public Accountants. He was the founding partner of Wongs & Tam, Certified Public Accountants, a public accounting firm in Hong Kong, set up in 1973 and is now a consultant of the accounting firm. Currently, he is also a financial consultant of Building Services Operation and Maintenance Executives Society Hong Kong Ltd.(BSOMES).

Mr. Lo King Man, aged 67, independent non-executive director of the Group. Mr. Lo began his career in academic administration at the University of Hong Kong and became deputy director of the former Hong Kong Polytechnic in 1986. He was also appointed director of the Hong Kong Academy for performing arts in 1993. Mr. Lo is the Peace Gentleman in Hong Kong, and he has an extensive record of public service. He has also served on the governing or executive bodies of numerous educational and cultural organizations. He was appointed an independent non-executive director of Chow Sang Sang Holding Int'l Ltd. in September 1994. Mr. Lo is currently the director of Administration of the Canton International Summer Music Academy. He also serves as consultant to Henderson Land on the West Kowloon Cultural District Development project.

SENIOR MANAGEMENT

Mr. Chang Loong Cheong, aged 58, is the Senior Consultant of the Group. Prior to joining the Group in April 2004, he was responsible for the sales and management, etc in certain listed companies. Regarding to the trading and business networks in the PRC, he has distinct and professional knowledge and experiences. After his joining, with respect of his experiences and strategies in the PRC, he has important contribution to the market development of the new products.

Mr. Chan, Kam Fai, aged 43, is the Chief Executive Officer of the Group. He holds a B.Sc (Hons) Degree in Computing and Information Systems from London Metropolitan University. Prior to joining the Group, he has over 17 years of experience in sales, marketing and administration management. He is now responsible for the overall management of the Group.

Mr. Lee Wing Cheung, aged 40, is the Financial Controller and the Company Secretary of the Group. He is a Hong Kong Certified Public Accountant and the member of the Association of Chartered Certified Accountants. He has years of audit and accounting experience in Public Accounting Firm, and had worked for more than five years in an US Based multinational company as its Greater China regional Senior Accountant. Prior to joining the Group in January 2005, he has accumulated over 17 years experience in the area of auditing, finance and management. He is now responsible for managing the Group's finance, capital raising activities and company secretarial duties, etc.

Mr. Ban Li, aged 38, General Manager of the Group's managing head quarter, tutor for graduate students and associate professor; He obtained bachelor's degree as a law major at East China Normal University and MBA degree of the famous Tongji University. He also acquired the nation's Labor Model for information industry, took the National 863 Technology Project as a principal and the Zhejiang provincial programming project and released many research papers about software industry. Mr. Li started to work for our Group from 1995, so he has won plenty of enterprise-managing experience and an experience of over 8 years regarding capital operation and law issues.

Mr. Qiu Lei, aged 34, is the General Manager of the Group's Software Integration Division. He graduated from School of Machano-Electronic Engineering of Xidian University. Before join Singlee Group in 1996, Mr. Qiu was employed in China Zhenhua Group. Mr.Qiu had occupied the sales director of Singlee Software (zhuhai) Co., Ltd. and the commercial director of Hangzhou Singlee Technology Co., Ltd. Etc, with rich experiences in financial industry.

Mr. Dan Shen, aged 34, who got a master degree from Institute of Industry & Commerce, and a bachelor's degree on engineer in Zhejiang University, is General Manager of Hangzhou Singlee Software Co., Ltd. Mr. Shen once worked as Market Chief Supervisor, Product Manager & Deputy General Manager in Concentrating System Development Division of Singlee Group, specialized in products program of IT industry and development strategy of enterprises. Mr.Shen once worked in the 36th Electronics Institute of Info-Tech Industry Ministry and UTStarcom Cooperation.

Mr. Huang Hai, aged 36, is General Manager of the Group's Financial Business Department. He graduated from Electronic Engineering Department of Hangzhou University of Electronic Science & Technology. Before join Singlee Group in 1996, Mr. Huang was employed in Hangzhou Seg Electronic Company. Mr. Huang had occupied the Vice sales director of Hangzhou Singlee Software Company and the sales director of Hangzhou Singlee Technology Company, etc with rich experiences in financial industry.

Mr. Qin Yongguo, aged 33, who got a bachelor's degree on Computer Scientific, is General Manager of Banking & Securities Division. Mr. Qin once worked in Yokogawa Electric Corporation, and entered Singlee Group in 1998. While in Singlee he worked as Region Manager and Vice Director of Technology Department, who has won plenty of Securities and financial area experience, etc.

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 2004.

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 16 to the financial statements.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated income statement on page 21.

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 22 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 15 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 21 to the financial statements.

DISTRIBUTABLE RESERVES

Pursuant to the Company Act 1981 of Bermuda, share premium of the Company is distributable to the shareholders. At 31 December 2004, the Company's reserves available for distribution to shareholders amounted in total to approximately RMB41,092,000 (2003: RMB43,092,000).

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 31 December 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:

		Number of shares held		Percentage
Name of shareholder	**Capacity/ Nature of interest**	**Long position**	**Short position**	**of shareholding**
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%
Mdm 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. Mdm 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.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES *(Cont'd)*

Save as disclosed above, as at 31 December 2004, the directors of 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 December 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 Long position	Number of shares held Short position	Percentage of shareholding
Mr. Hung Yung Lai	Corporate interest	306,000,000 *(note 1)*	—	50.7%

Shares in associated corporation:

Name of directors	Capacity/ Nature of interest	Number of ordinary shares held in Goldcorp Industrial Limited *(note 2)* Long position	Number of ordinary shares held in Goldcorp Industrial Limited *(note 2)* Short position	Percentage of shareholding
Mr. Hung Yung Lai	Personal interest	1	—	50.7%

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

Notes:

1. The Shares were held by Goldcorp Industrial Limited. Mr. Hung Yung Lai has 50% interest in Goldcorp Industrial Limited.

2. The entire issued capital of Goldcorp Industrial Limited as of 31 December 2004 composed of 2 ordinary shares. Goldcorp Industrial Limited held 306,000,000 Shares in the Company.

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 say 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 30 June 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.

SHARE OPTION SCHEME *(Cont'd)*

On 1 June 2004 the Company granted 10,000,000 options to subscribe for shares in the Company under the scheme at an exercise price of HK$0.14 per share to 2 chief executives of the Group. Shares of the Company were at closing price HK$0.14 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 30 June 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)	—
Wang Xi	7 September 2002 to 7 April 2012	—	5,000,000	—	—	—	5,000,000
Wang Yumin	7 September 2002 to 7 April 2012	—	5,000,000	—	—	—	5,000,000
Continuous contract employees (other than directors)	7 September 2002 to 7 April 2012	21,350,000	—	—	—	(12,710,000)	8,640,000
		26,830,000	10,000,000	—	—	(15,010,000)	2,182,000

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 EXECUTIVES' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, as at 31 December 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 do 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.

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 2004 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.

DIRECTORS

The directors of the Company for the period from 1 January 2004 to the date of this report were:

Executive Directors
Hung Yung Lai *(Chairman)*
Cui Jian
Li Kei Ling (resigned on 6 January 2004)
Xu Shu Yi (appointed on 6 January 2004)

Independent Non-Executive Directors
Pan Yun He (resigned on 16 December 2004)
Pao Ping Wing
Tam Kwok Hing (appointed on 30 September 2004)
Lo King Man (appointed on 15 March 2005)

In accordance with Article 87 of the Company's Bye-Laws, Xu Shu Yi, will retire from office by rotation at the forthcoming annual general meeting and, being eligible, offers himself 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 their appointment dates 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.

On 6 January 2004, Ms. Li Kei Ling resigned as an executive director. Although the service contract stated the period of services being 3 years and termination notice being 6 months before resignation, the Group and the board of directors agreed the resignation of Ms. Li Kei Ling and both parties have no right to claim for the compensation for this matter. Furthermore, both parties agreed to exempt all the responsibilities, duties, claims and compensation stated in the service contract.

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 terminable 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 5.34 to 5.45 of the GEM Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2004, the Company has complied with the GEM Listing Rules 5.48 to 5.67 (where applicable) concerning the securities transactions by Directors. The Company has made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding the securities transactions by 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
Mr. Pao Ping Wing	Chairman	Independent non-executive Director
Prof. Pan, Yun He (resigned on 16 December 2004)	Member	Independent non-executive Director
Mr. Tam Kwok Hing (appointed on 30 September 2004)	Member	Independent non-executive Director
Lo King Man (appointed on 15 March 2005)	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 twelve meetings and has reviewed and commented in the Company's draft annual, interim and quarterly reports.

AUDITORS

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 2005

Auditors' Report

CCIF CPA LIMITED
37/F Hennessy Centre
500 Hennessy Road
Causeway Bay, Hong Kong

AUDITORS' REPORT 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 consolidated balance sheet of the Company and its subsidiaries (the "Group") as of 31 December 2004 and the related consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended on pages 21 to 56 which have been prepared in accordance with International Financial Reporting Standards. These financial statements 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 give a true and fair view of the financial position of the Company and the Group as of 31 December 2004 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.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 24 March 2005

Chan Wai Dune, Charles
Practising Certificate Number P00712

Consolidated Income Statment

For the year ended 31 December 2004
(Expressed in thousands of Renminbi ("RMB") except for loss per share)

		Group	
	Note	**2004**	2003
		RMB'000	*RMB'000*
Revenue	4	**40,303**	37,848
Cost of sales		**(23,141)**	(38,863)
Gross profit/(loss)		**17,162**	(1,015)
Other operating income	5	**7,071**	8,850
Distribution costs		**(6,779)**	(14,963)
General and administrative expenses		**(19,578)**	(24,234)
Loss from operations		**(2,124)**	(31,362)
Finance costs	6	**(222)**	(305)
Loss before tax	7	**(2,346)**	(31,667)
Income tax expenses	9	**—**	—
Net loss for the year		**(2,346)**	(31,667)
Dividends	11	**—**	—
Loss per share	12		
— Basic		**(RMB0.39 cents)**	(RMB5.25 cents)
— Diluted		**N/A**	N/A

Balance Sheets

As of 31 December 2004
(Expressed in thousands of RMB)

		Group		Company	
	Note	**2004**	2003	**2004**	2003
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
ASSETS					
Non-current assets					
Intangible assets	14	**9,234**	10,261	**—**	—
Property, plant and equipment	15	**5,631**	7,391	**43**	76
Interests in subsidiaries	16	**—**	—	**58,051**	55,772
Trade receivables	19	**—**	2,300	**—**	—
		14,865	19,952	**58,094**	55,848
Current assets					
Deposits, prepayments and other receivables	17	**14,154**	10,135	**3,575**	756
Inventories	18	**9,545**	14,035	**749**	4,514
Trade receivables	19	**17,597**	22,766	**—**	—
Cash and cash equivalents	20	**10,712**	13,671	**55**	1,035
		52,008	60,607	**4,379**	6,305
Total assets		**66,873**	80,559	**62,473**	62,153
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	21	**6,392**	6,392	**6,392**	6,392
Reserves	22	**31,850**	34,197	**41,092**	43,092
		38,242	40,589	**47,484**	49,484
Current liabilities					
Bank overdrafts	23	**5,155**	—	**5,155**	—
Trade payables	24	**8,831**	11,469	**—**	—
Accruals and other payables		**1,785**	1,828	**865**	250
Customers' deposits	25	**2,890**	3,992	**—**	—
Bills payable	23	**3,357**	9,540	**3,357**	7,317
Due to ultimate holding company	26	**14**	1,922	**14**	1,922
Due to a related company	26	**3,180**	3,180	**3,180**	3,180
Due to directors	26	**2,418**	—	**2,418**	—
Tax payable	27	**857**	7,562	**—**	—
Deferred income	28	**144**	477	**—**	—
		28,631	39,970	**14,989**	12,669
Total equity and liabilities		**66,873**	80,559	**62,473**	62,153

Approved and authorised for issue by and signed on behalf of the Board of Directors on 24 March 2005.

Mr. Hung Yung Lai
Chairman

Mr. Xu Shu Yi
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2004
(Expressed in thousands RMB)

	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Revenue reserve *RMB'000*	Cumulative translation adjustments *RMB'000*	(Accumulated losses)/ Retained profits *RMB'000*	Total *RMB'000*
Balance at 1 January 2004	6,392	59,267	—	3,613	14	(28,697)	40,589
Translation exchange differences	—	—	—	—	(1)	—	(1)
Net loss for the year	—	—	—	—	—	(2,346)	(2,346)
Balance at 31 December 2004	6,392	59,267	—	3,613	13	(31,043)	38,242
Balance at 1 January 2003	6,392	59,267	—	3,546	4	3,064	72,273
Translation exchange differences	—	—	—	—	10	—	10
Profit appropriation to reserve fund under-provided	—	—	—	94	—	(94)	—
Utilisation for the year	—	—	—	(27)	—	—	(27)
Net loss for the year	—	—	—	—	—	(31,667)	(31,667)
Balance at 31 December 2003	6,392	59,267	—	3,613	14	(28,697)	40,589

Consolidated Cash Flow Statement

For the year ended 31 December 2004
(Expressed in thousands of RMB)

	Group	
	2004	2003
	RMB'000	*RMB'000*
Cash flows from operating activities:		
Loss from operations	**(2,124)**	(31,362)
Utilisation of revenue reserve	**—**	(27)
Adjustments for:		
Loss on disposal of property, plant and equipment	**5**	165
Depreciation of property, plant and equipment	**2,624**	2,811
Amortisation of intangible assets	**2,028**	803
Impairment loss	**—**	175
Interest income	**(29)**	(89)
Provision for doubtful debts	**5,040**	6,278
Provision for obsolete inventories	**285**	2,006
Operating profit/(loss) before working capital changes	**7,829**	(19,240)
Decrease/(increase) in inventories	**4,205**	(4,761)
Decrease in trade receivables	**2,671**	15,288
Increase in deposits, prepayments and other receivables	**(3,595)**	(2,159)
Decrease in trade payable	**(2,662)**	(5,623)
Decrease in accruals and other payables	**(701)**	(416)
Decrease in customers' deposits	**(1,102)**	(571)
Increase in amount due to a related company	**—**	3,180
(Decrease)/ increase in amount due to ultimate holding company	**(1,908)**	1,908
Increase in due to directors	**2,418**	—
Decrease in tax payable	**(6,710)**	(2,212)
Decrease in deferred income	**(333)**	(1,444)
Cash generated from/(used in) operations	**112**	(16,050)
Interest paid	**(222)**	(305)
Net cash used in operating activities	**(110)**	(16,355)
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired (Note A)	**(414)**	—
Sales proceeds of property, plant and equipment	**19**	500
Purchase of property, plant and equipment	**(725)**	(1,037)
Additions of intangible assets	**(729)**	(2,010)
Interest received	**29**	89
Net cash used in investing activities	**(1,820)**	(2,458)

Consolidated Cash Flow Statement

For the year ended 31 December 2004
(Expressed in thousands of RMB)

	Group	
	2004	2003
	RMB'000	*RMB'000*
Cash flows from financing activities		
Cash received from bank loans	**—**	5,000
Repayment to bank loans	**—**	(13,000)
Net cash used in financing activities	**—**	(8,000)
Net decrease in cash and cash equivalents	**(1,930)**	(26,813)
Cash and cash equivalents at beginning of year	**4,131**	30,934
Effect of foreign rate changes	**(1)**	10
Cash and cash equivalents at end of year	**2,200**	4,131
Analysis on cash and cash equivalents		
Cash and bank deposits	**10,712**	12,713
Fixed deposits	**—**	958
Bank overdrafts	**(5,155)**	—
Bills payable	**(3,357)**	(9,540)
	2,200	4,131

Consolidated Cash Flow Statement

For the year ended 31 December 2004
(Expressed in thousands of RMB)

A) Acquisition of a subsidiary

	2004	2003
	RMB'000	*RMB'000*
Net assets acquired:		
Property, plant and equipment	**163**	—
Cash and cash equivalents	**86**	—
Trade receivables	**242**	—
Deposits, prepayments and other receivables	**424**	—
Trade payables	**(24)**	—
Accruals and other payables	**(158)**	—
Tax payable	**(5)**	—
	728	—
Goodwill	**272**	—
	1,000	—
Consideration:		
Satisfied by:		
Cash	**500**	—
Consideration payables	**500**	—
	1,000	—

Analysis of net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	2004	2003
	RMB'000	*RMB'000*
Cash consideration	**(500)**	—
Cash and cash equivalents acquired	**86**	—
Net outflow of cash and cash equivalents from the acquisition of a subsidiary	**(414)**	—

Notes to the Financial Statements

31 December 2004

(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 (as amended). 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 (the "PRC") were 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 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 PRC. The registered office of the Company is in Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda.

The Group was principally operated in the PRC and employed approximately 146 employees as at 31 December 2004.

2. IMPACT OF RECENTLY ISSUED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following revised, amended and new standards which are generally effective for accounting periods beginning on or after 1 January 2005 may result in changes in the future as to how the Group's financial performance and financial position are prepared and presented:

— IAS 1 Presentation of Financial Statements (revised 2004);
— IAS 2 Inventories (revised 2003);
— IAS 8 Accounting policies, changes in accounting estimates and errors (revised 2003);
— IAS 10 Events after the balance sheet date (revised 2004);
— IAS 16 Property, plant and equipment (revised 2004);
— IAS 17 Leases (revised 2004);
— IAS 21 The effects of changes in foreign exchange rates (revised 2003);
— IAS 24 Related party disclosures (revised 2003);
— IAS 27 Consolidated and separated financial statements (revised 2004);
— IAS 32 Financial instruments: Disclosure and presentation (revised 2004);
— IAS 33 Earnings per share (revised 2004);
— IAS 36 Impairment of assets (revised 2004);
— IAS 38 Intangible assets (revised 2004); and
— IAS 39 Financial instruments: Recognition and measurement (revised 2004).

The Group has not early adopted these revised, amended and new standards for the year ended 31 December 2004. The Group has commenced its assessment of the impact of these standards but it is not yet in a position to state whether these standards would have a material impact on its results of operations and financial position.

3. 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 and denominated in Renminbi ("RMB"), the financial statements are prepared in RMB.

b) BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004. The financial statements of the subsidiaries are prepared using consistent accounting policies.

Subsidiaries are consolidated from the date on which control is transferred to the Group and ceased to be consolidated from the date on which control is transferred out of the Group.

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

c) 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 computer 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

c) TURNOVER AND REVENUE RECOGNITION *(Cont'd)*

Revenue from sale of computer hardware is recognised on the transfer of risk and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

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, taking into account the original amounts outstanding and the interest rates applicable.

The subsidies from the PRC government or other organisations are recognised when the related technical services projects on software and hardware have been completed.

d) RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred, except where the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably; is technically feasible; the company intends to produce and market, or use, the product or process; the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness to the company, can be demonstrated; and adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense in the period in which it is incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation (see note 2(i)) and impairment losses (see note 2(j)). Other development expenditure is recognised as an expense in the period in which it is incurred.

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 5 years. Software is stated at cost less accumulated amortisation (see note 2(i)) and impairment losses (see note 2(j)).

3. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

f) GOODWILL

Goodwill acquired in a business combination represents the excess of the purchase consideration over the net fair value of the net assets of subsidiaries acquired. Goodwill acquired in a business combination is stated at cost less any accumulated impairment losses (see Note 2 (j)).

Negative goodwill acquired in a business combination represents the excess of the net fair value of the net assets of subsidiaries acquired over the purchase consideration. The excess of the cost of business combination is recognised immediately in profit or loss after reassessment.

g) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Expenditures incurred after the property, plant and equipment 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.

Other properties are interests in land and buildings other than investment properties and are stated at valuation. Independent valuations are performed every year. In the intervening years, the directors review the carrying amount of the other properties and adjustment is made where there has been a material change. Increases in valuation are credited to the other properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit.

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the company.

The gain or loss on disposal of property, plant and equipment other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

3. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

h) OPERATING LEASES

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals receivables/payables under such operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective lease. Contingent rentals payables are written off as an expense of the accounting period in which they are incurred.

i) AMORTISATION AND DEPRECIATION

Depreciation is not provided for freehold land. Property, plant and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment loss over their estimated useful lives on a straight-line basis, after taking into account its estimated residue 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

Amortisation of intangible assets is charged to the income statement on a straight-line basis over the assets' estimated useful lives as follows:

Development costs	3 - 5 years
Software	5 years

j) IMPAIRMENT OF ASSETS

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;
— investments in subsidiaries;
— intangible assets; and
— positive goodwill (whether taken initially to reserves or recognised as an asset).

If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, or are amoritsed over more than 20 years from the date when the asset is available for use or goodwill that is amortised over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

3. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

j) IMPAIRMENT OF ASSETS *(Cont'd)*

i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

k) SUBSIDIARIES

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

In the Company's financial statements, interests in subsidiaries are accounted for using the equity method and are stated at cost less identified impairment loss. An assessment of interests 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. The results of subsidiaries are accounted to the extent of dividends received and receivable.

3. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

l) TRADE AND OTHER RECEIVABLES

Trade receivables, which generally have terms of about 30 – 90 days, are recognised and carried at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Prepayments, deposits and other receivables are recognised and carried at cost less allowance for any uncollectible amounts.

m) 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.

n) CASH AND CASH EQUIVALENTS

Cash represents cash on 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 of maturity when acquired. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfil the above criteria.

For the purposes of the cash flow statement, cash equivalents would also include cash, bank balances maturing within three months or less, bank overdrafts and advances from banks repayable within three months or less from the date of the advance.

3. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

o) TRADE AND OTHER PAYABLES

Liabilities for trade and other payables which are normally settled on terms of about 90 to 180 days are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

p) PROVISIONS

Provisions are recognised for liabilities of uncertain timing or amount when the company or group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

q) 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.

r) 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

s) 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.

t) FOREIGN CURRENCY TRANSLATION

The Company and its the British Virgin Islands ("BVI")'s 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 the 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 the 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.

u) EMPLOYEE BENEFITS

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Provision is made in respect of paid leave entitlement accumulated during the year, which can be carried forward into future periods for compensated absence or payment in lieu if the employee leaves employment.

The Group operates a defined contribution retirement schemes and the regular cost of providing retirement benefits is charged to the income statement over the expected service lives of the members of the scheme on the basis of level percentages of pensionable pay. Variations from regular cost arising from triennial actuarial valuations are allocated to the income statement over the expected remaining service lives of the members.

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Scheme Ordinance are charged to the income statement when incurred.

3. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

v) 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. All other borrowing costs are charged to the income statement in the year in which they are incurred.

w) INCOME TAX

i) Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in reserves, in which case they are recognised in reserves.

ii) Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

iii) The Group 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.

iv) Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and the tax bases respectively. Deferred tax assets also arise from unused tax losses and unused tax credits.

Deferred tax liabilities are generally 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 deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted. The carrying amount of deferred tax assets/liabilities is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised.

3. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

w) INCOME TAX *(Cont'd)*

v) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group and the Company has the legally enforceable right to set off current tax assets against current tax liabilities. The principle of offsetting usually applies to income tax levied by the same tax authority on same taxable entity.

x) RELATED PARTIES

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 other 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. Related parties may be individuals or corporate entities.

y) 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.

z) SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments.

4. REVENUE

	Group	
	2004	2003
	RMB'000	*RMB'000*
Computer software	**9,619**	18,396
Computer hardware	**17,062**	15,622
Provision for maintenance services	**13,622**	3,830
	40,303	37,848

All sales were derived from the PRC during the year.

5. OTHER OPERATING INCOME

	Group	
	2004	2003
	RMB'000	*RMB'000*
Income from opening source code after tax	**—**	6,650
Interest income from bank deposits	**29**	89
VAT refund *(See Note 27)*	**824**	1,581
Enterprise income tax refund	**277**	—
Government and other subsidies	**5,941**	530
	7,071	8,850

6. FINANCE COSTS

	Group	
	2004	2003
	RMB'000	*RMB'000*
Interest on bank overdrafts	**222**	305

7. LOSS BEFORE TAX

Loss before tax was determined after crediting and charging the following:

	Group	
	2004	2003
	RMB'000	*RMB'000*
After crediting:		
Interest income	**29**	89
After charging:		
Staff costs (including directors' remuneration *(Note 8)*		
— Salaries and wages	**9,720**	17,833
— Contribution to retirement schemes *(Note 29)*	**297**	347
— Staff welfare and others	**53**	1,713
	10,070	19,893
Cost of inventories sold	**14,903**	23,448
Research and development costs expenditures	**470**	9,469
Amortisation of intangible assets	**2,028**	803
Impairment loss for intangible assets	**—**	175
Depreciation of property, plant and equipment	**2,624**	2,811
Provision for doubtful debts	**5,040**	6,278
Provision for obsolete inventories	**285**	2,006
Operating lease rentals	**2,382**	3,296
Loss on disposal of property, plant and equipment	**5**	165
Auditors' remuneration	**386**	249

8. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

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

	Group	
	2004	2003
	RMB'000	*RMB'000*
Fees	**76**	153
Other emoluments:		
Salaries, allowances and benefits in kind	**175**	187
Retirement benefits	**4**	8
	179	195
	255	348

Analysis of emoluments of the directors, including four executive directors (2003: four), by number of individuals and emolument range was as follows:

	2004	2003
	Number	Number
RMB Nil – RMB1,060,000 (equivalent to HK$Nil - HK$1,000,000)	**7**	7

No executive directors (2003: Nil) waived emoluments during the year ended 31 December 2004 (2003: RMB nil).

8. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Cont'd)*

ii) The five highest paid employees during the year included nil (2003: two) directors.

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

	2004	2003
	RMB'000	*RMB'000*
Fees	**—**	—
Salaries, allowances and benefits in kind	**1,070**	1,018
Retirement benefits	**23**	35
	1,093	1,053
	Number	Number
Directors	**—**	2
Employees	**5**	3
	5	5

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

	Number of staff	Number of staff
RMB Nil – RMB1,060,000 (equivalent to HK$Nil - HK$1,000,000)	**5**	5

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 (2003: Nil).

During the year, RMBnil was paid as compensation for loss of office to the five highest paid individuals (including directors and employees) (2003: RMB nil).

9. INCOME TAX EXPENSE

	Group	
	2004	2003
	RMB'000	*RMB'000*
PRC enterprise income tax (c)	—	—

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 the British Virgin Islands (the "BVI") is incorporated under the International Business Companies Acts of the 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.

c) PRC enterprise income tax

As foreign investment enterprises that incorporated in the Advanced Technology Industry Development Area in Hangzhou City and Zhuhai City 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 thereafter. 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:

	2004		2003	
	RMB'000	***%***	*RMB'000*	*%*
Accounting loss before taxation	**(2,346)**	**100**	(31,667)	100
Tax at the statutory tax rate	**—**	**—**	—	—
Tax exempted	**—**	**—**	—	—
Tax expense	**—**	**—**	—	—

There was no significant unprovided deferred taxation for the year ended 31 December 2004 (2003: Nil).

10. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company was RMB2,000,000 (2003: RMB22,200,000).

11. DIVIDENDS

During the year ended 31 December 2004, RMB nil dividend was declared and paid (2003: RMB nil).

12. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated net loss for the year attributable to shareholders of approximately RMB2,346,000 (2003: RMB31,667,000) divided by the weighted average number of ordinary shares outstanding during the year of 603,000,000 shares (2003: 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 year.

13. SEGMENT 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 segment information is presented separately.

14. INTANGIBLE ASSETS

	Group				
	2004				2003
	Goodwill	**Development costs**	**Software**	**Total**	Total
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*
Cost					
Beginning of year	**—**	**10,670**	**939**	**11,609**	9,599
Additions for the year	**272**	**729**	**—**	**1,001**	2,010
End of year	**272**	**11,399**	**939**	**12,610**	11,609
Accumulated amortisation					
Beginning of year	**—**	**1,082**	**266**	**1,348**	370
Amortisation for the year	**—**	**1,840**	**188**	**2,028**	803
Impairment loss	**—**	**—**	**—**	**—**	175
End of year	**—**	**2,922**	**454**	**3,376**	1,348
Net carrying value					
End of year	**272**	**8,477**	**485**	**9,234**	10,261
Beginning of year	**—**	**9,588**	**673**	**10,261**	9,229

Notes:

1) On 16 June 2004, the Group completed the acquisition of 100% equity interest in Beijing Century Financial Knowledge Company Limited ("Beijing Century") with the purchase consideration of RMB1 million. After the completion of the acquisition, the goodwill arising from such acquisition upon consolidation amounted to approximately RMB272,000.

   In the opinion of the directors, no impairment loss on such goodwill is considered necessary as at 31 December 2004.

2) Development costs capitalised include expenses incurred by the Group in the development of certain new software products. During the year ended 31 December 2004, total expenditures on research and development were approximately RMB1,199,000 of which approximately RMB729,000 was capitalised. The Group was able to demonstrate that the new and existing products met all criteria for recognition as an intangible asset.

   The directors are of the opinion that the underlying values of the intangible assets were not less than their carrying value as of 31 December 2004.

15. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment were:

	Group					
	2004					2003
	Leasehold improvements *RMB'000*	**Computer and related equipment** *RMB'000*	**Other office equipment** *RMB'000*	**Motor vehicles** *RMB'000*	**Total** *RMB'000*	Total *RMB'000*
Cost						
Beginning of year	**2,861**	**8,642**	**3,368**	**706**	**15,577**	16,145
Additions for the year	**—**	**175**	**51**	**499**	**725**	1,037
Acquisition of a subsidiary	**—**	**116**	**47**	**—**	**163**	—
Disposals	**—**	**(36)**	**—**	**—**	**(36)**	(1,605)
End of year	**2,861**	**8,897**	**3,466**	**1,205**	**16,429**	15,577
Accumulated depreciation						
Beginning of year	**1,276**	**4,939**	**1,665**	**306**	**8,186**	6,315
Charge for the year	**494**	**1,436**	**477**	**217**	**2,624**	2,811
Disposals	**—**	**(12)**	**—**	**—**	**(12)**	(940)
End of year	**1,770**	**6,363**	**2,142**	**523**	**10,798**	8,186
Net book value						
End of year	**1,091**	**2,534**	**1,324**	**682**	**5,631**	7,391
Beginning of year	**1,585**	**3,703**	**1,703**	**400**	**7,391**	9,830

15. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

	Company	
	2004	2003
	Computer and related equipment	Computer and related equipment
	RMB'000	*RMB'000*
Cost		
Beginning of year	**107**	94
Additions for the year	**—**	34
Disposals	**(17)**	(21)
End of year	**90**	107
Accumulated depreciation		
Beginning of year	**31**	23
Charge for the year	**19**	20
Disposals	**(3)**	(12)
End of year	**47**	31
Net book value		
End of year	**43**	76
Beginning of year	**76**	71

The directors are of the opinion that there is no indication of impairment on the carrying value of property, plant and equipment as of 31 December 2004.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	RMB'000	*RMB'000*
Share of net identifiable assets of subsidiaries	**—**	—
Amounts due from subsidiaries	**58,051**	55,772
	58,051	55,772

The amounts due from subsidiaries were unsecured, interest-free and not repayable within one year.

The directors are of the opinion that the underlying values of the subsidiaries were not less than their carrying values at 31 December 2004.

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

16. INTERESTS IN SUBSIDIARIES *(Cont'd)*

At 31 December 2004, the Company had interests in the following subsidiaries:

Name	Date and place of incorporation/ operation	Percentage of equity interest attributable to the Company		Registered/fully paid-up capital	Principal activities
		Direct	Indirect		
Sing Lee Electronics (B.V.I.) Co., Ltd. ("Singlee BVI")	3 September 1999 British Virgin Islands/Hong Kong	100%	—	US$50,000/ US$715	Investment holding
Hangzhou Singlee Software Company Limited ("Singlee Software")	27 May 1999 The People's Republic of China (the "PRC")	—	100%	US$4,325,500/ US$4,325,500	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 The PRC	—	100%	US$1,584,000/ US$1,200,000	Same as above
Singlee Software (Zhuhai) Company Limited ("Singlee Zhuhai")	15 March 2003 The PRC	—	100%	US$1,250,000/ US$1,250,000	Same as above
Beijing Century Financial Knowledge Company Limited ("Beijing Century")	16 June 2004 The PRC	—	100%	RMB1,000,000/ RMB1,000,000	Same as above

Singlee Software and Beijing Century, indirectly-owned subsidiaries, are wholly foreign-owned enterprises registered in the PRC. Singlee Technology and Singlee Zhuhai are sino-foreign equity joint ventures registered in the PRC.

17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Business tax recoverable	**21**	3,740	**—**	—
Value-added tax ("VAT") recoverable *(Note 27)*	**—**	644	**—**	—
Advance to employees	**3,865**	747	**962**	—
Deposits and others	**10,268**	5,004	**2,613**	756
	14,154	10,135	**3,575**	756

18. INVENTORIES

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Finished goods, at cost	**11,836**	16,041	**749**	4,514
Less: Provision for obsolete inventories	**(2,291)**	(2,006)	**—**	—
	9,545	14,035	**749**	4,514

At 31 December 2004, no inventory was stated at net realisable value (2003: Nil).

19. TRADE RECEIVABLES

The aging analysis of trade receivables is as follows:

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 90 days	**16,060**	10,183	**—**	—
Over 90 days but within 180 days	**520**	3,317	**—**	—
Over 180 days but within 365 days	**2,265**	1,975	**—**	—
Above 365 days	**12,386**	18,185	**—**	—
	31,231	33,660	**—**	—
Less: Provision for doubtful receivables	**(13,634)**	(8,594)	**—**	—
	17,597	25,066	**—**	—
Trade receivables over 12 months	**—**	(2,300)	**—**	—
	17,597	22,766	**—**	—

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 for. Generally, 50% and 100% provision had been made for trade receivables aged 1.5 years to 2 years and exceeding 2 years respectively.

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and cash equivalents				
— denominated in HK$	**24**	881	**4**	855
— denominated in US$	**72**	208	**51**	180
— denominated in RMB	**10,616**	12,582	**—**	—
	10,712	13,671	**55**	1,035

At 31 December 2004, there were no bank deposits (2003: RMB nil) pledged as security for banking facilities.

21. SHARE CAPITAL

	Number of shares	Nominal value	Nominal value
		HK$'000	*RMB'000* *
Authorised (ordinary share of HK$0.01 each)	10,000,000,000	100,000	106,000
Issued and fully paid (ordinary share of HK$0.01 each):			
At 31 December 2004	603,000,000	6,030	6,392
At 31 December 2003	603,000,000	6,030	6,392

* at the ruling of foreign exchange rate of HK$1 = RMB1.06

22. RESERVES

Movements of reserves were:

	2004						2003
	Share premium	**Capital reserve**	**Revenue reserve**	**Cumulative translation adjustments**	**Accumulated losses**	**Total**	Total
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*
Group							
Balance at beginning of year	**59,267**	**—**	**3,613**	**14**	**(28,697)**	**34,197**	65,881
Translation adjustments	**—**	**—**	**—**	**(1)**	**—**	**(1)**	10
Utilisation for the year	**—**	**—**	**—**	**—**	**—**	**—**	(27)
Net loss for the year	**—**	**—**	**—**	**—**	**(2,346)**	**(2,346)**	(31,667)
Balance at end of year	**59,267**	**—**	**3,613**	**13**	**(31,043)**	**31,850**	34,197

22. RESERVES *(Cont'd)*

	2004						2003
	Share premium *RMB'000*	Capital reserve *RMB'000*	Revenue reserve *RMB'000*	Cumulative translation adjustments *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Total *RMB'000*
Company							
Balance at beginning of year	**59,267**	**4,718**	**—**	**—**	**(20,893)**	**43,092**	65,292
Net loss for the year	**—**	**—**	**—**	**—**	**(2,000)**	**(2,000)**	(22,200)
Balance at end of year	**59,267**	**4,718**	**—**	**—**	**(22,893)**	**41,092**	43,092

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 lease 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. At 31 December 2004, the reserve funds amounted to approximately RMB3,613,000 (2003: RMB3,613,000). 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.

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.

At 31 December 2004, the Company's reserves available for distribution to shareholders amounted to approximately RMB41,092,000 (2003: RMB43,092,000), 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 (2003: RMB59,267,000 and RMB4,718,000) respectively, less accumulated losses of approximately RMB22,893,000 (2003: RMB20,893,000). 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.

23. BANK OVERDRAFTS AND BILLS PAYABLE

At 31 December 2004, the banking facilities including bank overdrafts and bills payable were secured by properties put up by a director and a related company.

24. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 90 days	**5,718**	8,022	**—**	—
Over 90 days but within 180 days	**365**	684	**—**	—
Over 180 days but within 365 days	**2,470**	2,497	**—**	—
Above 365 days	**278**	266	**—**	—
	8,831	11,469	**—**	—

25. CUSTOMERS' DEPOSITS

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

26. DUE TO ULTIMATE HOLDING COMPANY / A RELATED COMPANY / DIRECTORS

The amounts are unsecured, interest-free and with no fixed term of repayment.

27. TAX PAYABLE

	Group	
	2004	2003
	RMB'000	*RMB'000*
VAT payable	**413**	7,482
Others	**444**	80
	857	7,562

27. TAX PAYABLE *(Cont'd)*

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 revenues. The VAT refund of the Group has been accounted for as other operating income (see Note 5).

28. DEFERRED INCOME

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

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.

Singlee Software, Singlee Technology, Singlee Zhuhai and Beijing Century participate in defined contribution retirement schemes organized by the relevant local government authorities in Mainland China. 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, Singlee Zhuhai and Beijing Century are required to make monthly contributions to the retirement scheme, up to the time of retirement of the eligible employees, at 22%, 20%, 10% and 20% respectively of their basic salaries. The local government authorities are responsible for the pension liabilities to these retired employees.

At 31 December 2004, the Group had no significant obligation apart from the contribution as stated above (2003: Nil).

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

	2004	2003
	RMB'000	*RMB'000*
Contributions to retirement schemes	**297**	347

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"), Sing Lee Pharmaceutical Import & Export Company Limited ("Sing Lee Pharmaceutical") and Hangzhou New Dynamics Software Company Limited ("Hangzhou New Dynamics"), for the year ended 31 December 2004:

	Group	
	2004	2003
	RMB'000	*RMB'000*
Continuing transactions:		
Income after tax from opening source code to Hangzhou New Dynamics	—	(6,650)
Sales proceeds from disposal of property, plant and equipment to Hangzhou New Dynamics	—	(500)
	—	(7,150)
Purchase of motor vehicles from Singlee Electronics	**499**	—
Rental paid to Singlee Electronics for lease of motor vehicles	—	168
Rental paid to Sing Lee Pharmaceutical for lease of office premises	**371**	470
Total	**870**	638

Notes:

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) Hangzhou New Dynamics is a sino-foreign equity joint venture registered in the PRC. Mr. Xu Ke Han, who was the Vice President and Financial Controller of the Group and resigned these titles during the year ended 31 December 2003, has an equity interest and is a director of Hangzhou New Dynamics.

iv) The above related party transactions were carried out in the normal course of its business.

31. CONTINGENT LIABILITIES

At 31 December 2004, the Group had no significant contingent liabilities to be provided for or disclosed in the financial statements (2003: Nil).

32. COMMITMENTS

a) Capital commitments

	2004	2003
	RMB'000	*RMB'000*
contracted but not provided for		
— Acquisition of a subsidiary	**—**	1,000

In 2003, the Group contracted with third parties in connection with the acquisition of a company engaged in software development business for a total purchase consideration of RMB1,000,000. The transaction completed on 16 June 2004.

b) Operating lease commitments

At 31 December 2004, the Group had total future minimum lease payments under non-cancellable operating leases in respect of buildings and vehicles as follows:

	2004	2003
	RMB'000	*RMB'000*
Repayable:		
— not later than one year	**1,676**	1,751
— later than one year and not later than five years	**374**	1,011
	2,050	2,762

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 to the current year's presentation.

34. ULTIMATE HOLDING COMPANY

The directors regard Goldcorp Industrial Limited, a company incorporated in the British Virgin Islands, as the ultimate holding company, which is owned by Mr. Hung Yung Lai and Ms. Li Kei Ling.

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) 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.