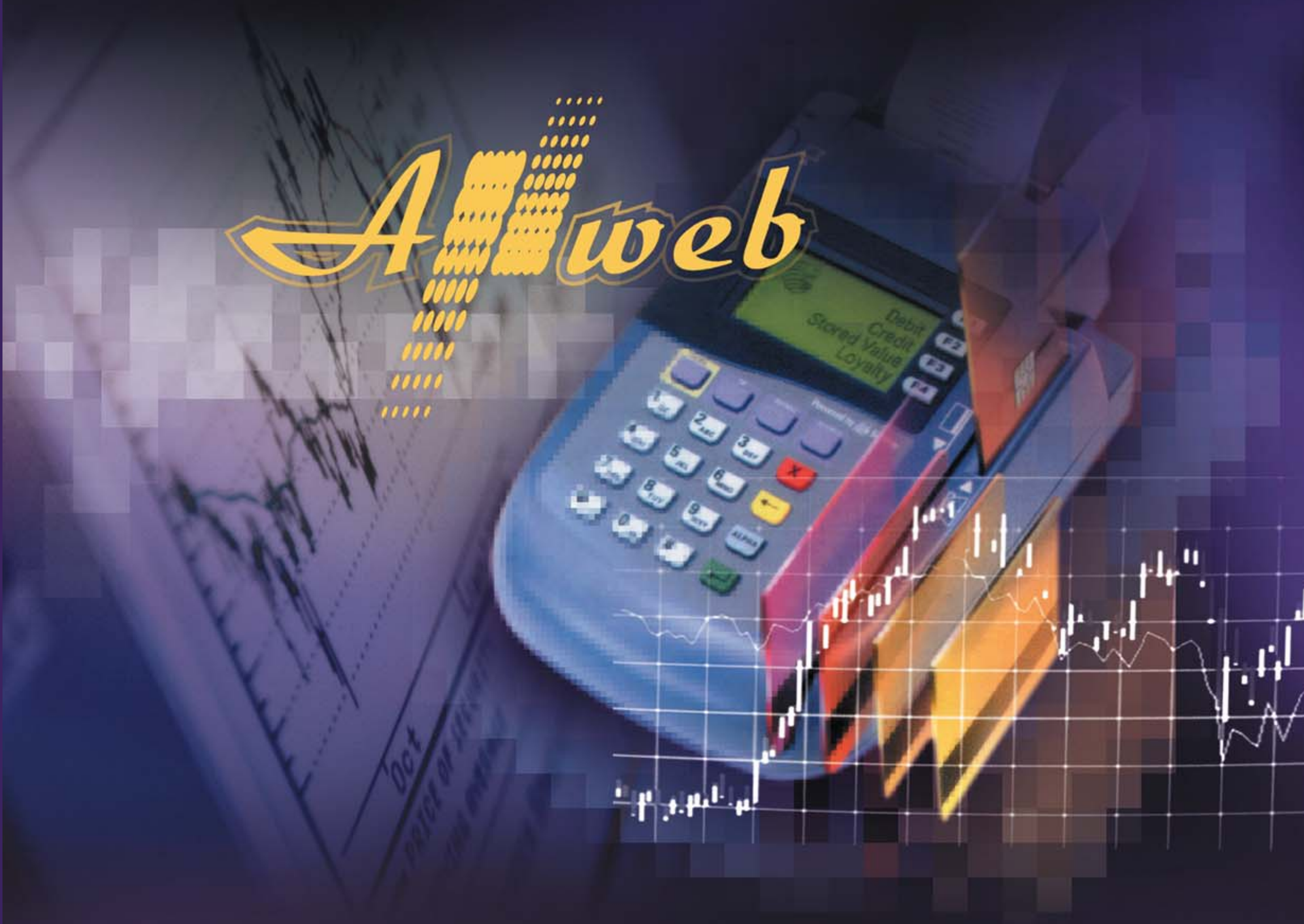
SING LEE SOFTWARE (GROUP) LIMITED

新利軟件(集團)股份有限公司

(Incorporated in Bermuda with limited liability)



Annual Report 2005

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

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

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

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

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this 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
Xu Shu Yi
Wong Chi Shun (appointed on 12 April 2005 & resigned on 6 March 2006)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Pao Ping Wing
Tam Kwok Hing
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
Level 25, Three Pacific Place
1 Queen's Road East
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 2005 Annual Report of the Group.

BUSINESS REVIEW AND ANALYSIS

2005 was the second year the Group underwent strategic conversion and was a year of fundamental importance. The Group has focused all its human, financial and material resources on commencing the research and development and upgrading of the two major projects and the two major products on a full scale, and has made a strategic breakthrough. However, as the development, upgrading and stability testing of the four major projects and products has to continue in the following year, they have not generated any profits for the Group during the year. Through their efforts and dedication, the management of various levels, the technology research and development team and all staff in the past year have made tremendous contributions to the development, upgrading and stability of the four major projects and products as well as laying a foundation for sales in the future.

Banking Business

Sales of the Group's original banking peripheral and non-core products, which generated profits in the earlier period but ceased to generate any profits in recent years, has been suspended in 2005. With a change in the market sales model for the Group's POS machine business, which has been operated for many years, banks now place orders directly with the manufacturer. For the EagleEye monitoring product which the Group has successfully developed in 2004, because of the need to upgrade the product to the combined version for headquarters, the Group has not taken the initiative to increase sales of the original version in the market. Given the aforesaid three reasons, the Group saw a significant reduction in sales in 2005. Nevertheless, after making a serious analysis and a comprehensive evaluation, the Group believes that not proceeding with sales of these non-core businesses and peripheral products and hardware but capitalizing on the Group's edge in resources to accelerate the progress of its four core projects and products is a fundamental guiding principle for ensuring the Group's long-term development and strategic transformation. Bank risk control products on which the Group focused in 2005 have been proceeding steadily and smoothly. The success rate of this bank core business of the Group has been the highest in the industry in the PRC in 2004 and 2005. This highly difficult business has also created a high-quality technical team and market brand for the Group. The Group will continue to step up its efforts in sales and implementation in this market segment so as to increase the profitability of the Group in the future.

Securities Business

For the securities industry in the PRC, the Group's new combined and upgraded version of bank transfers has gained recognition from two major headquarters customers. One of the customers has signed a contract with the Group and has commenced the implementation. Following the success of this sample, the Group believes that there will be more major customers of the headquarters-grade to follow suit. There are some signs for the recovery of the China stock market. Major securities dealers now have greater demand for the new generation securities combined big platform than in the past few years. The Group has successfully developed this product and is striving to find a new point for penetration. A major securities dealer, which has cooperated with the Group for many years, has increased the service fees paid to the Group for its platform by 100%. The term of the contract has also been changed to two years. This demonstrates that the securities dealer recognizes the Group's in-depth understanding of the securities business in the PRC and its services. This is also an important edge for the Group in the securities market in the future, demonstrating that the Group's new generation combined version meets the needs for market development. It is anticipated that in the future, the recovering China securities market will again generate a new effect and brings a new point of profit growth for the Group.

Education Business

For the education business, the Group successfully launched the School-Banking Financial Fees Collecting System and other School-Banking products during the year. The products were sold to more than 50 colleges and universities in 2005 as compared with more than 10 universities in 2004. The combined and general versions of these products were successfully developed in late 2005. Full efforts will be made to market these products to more universities, institutes of higher learning, large key secondary schools and colleges for professional training nationwide in the next three years. A large strategic project jointly developed by the Group and one of the most famous universities in the PRC has commenced in an all-round way. The first phase of the project has been implemented by the Group. It is anticipated that these new projects and products will generate long-term and stable income for the Group in the next couple of years.

FUTURE OUTLOOK

The Group continues to step up its devotion and marketing efforts in products of the bank risk control and management information categories, with a maturing technical team. This product of the Group will maintain its leading position in the market in the coming year. As for the upgrading of the EagleEye monitoring product, the Group has entered into a strategic partnership agreement with a world-renowned provider of mainstream products, and has commenced the integration and upgrading work on a full scale. It is predicted that the Group can derive considerable effectiveness from the market in the next three years. Besides, the Group has also launched two strategic projects on a full scale. The success of these two projects will significantly increase the stable income from the Group's cash flow and its long-term growth. The Group has been paying close attention to the development trend of the international and domestic financial markets and will persist in the guiding principle of: conducting the market survey three years in advance; proceeding with technology research and development two years in advance; entering the market six months in advance so as to ensure that new products of the Group can be launched to the market on a sustained basis.

While increasing income sources, the Group has stepped up its efforts in implementing the cost reduction plan and further increasing the soundness and actual effectiveness of the risk monitoring mechanism.

Acknowledgment

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 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 2006

FINANCIAL REVIEW

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

For the year ended 31 December 2005 ("the financial year"), the Group recorded a total turnover of approximately RMB11,276,000, representing a decrease of 72% as compared to last year (last year turnover were approximately RMB40,303,000).

Turnover of the Group comprises of:

	Turnover	
	2005	2004
	RMB'000	RMB'000
Sales of software	**5,253**	9,619
Sales of hardware	**2,950**	17,062
Maintenace income	**3,073**	13,622
	11,276	40,303

Decrease in turnover ws primarily attributable to the fact that sales of the Group's original banking peripheral and non-core products, which generated profits in the earlier period but ceased to generate any profits in recent years, has been suspended in 2005. Also, with a change in the market sales model for the Group's POS machine business, which has been operated for many years, banks now place orders directly with the manufactures. Finally, the EagleEye monitoring product which the Group has successfully developed in 2004, because of the need to upgrade the product to the combined version for headquarters, the Group has not taken the initiative to increase sales of the original version in the market. Given the aforesaid three reasons, the Group saw a significant reduction in sales in 2005.

The Group recorded also a loss attributable to shareholders of approximately RMB37,221,000 for the financial year, a significant increase in loss as compared to last year (net loss for last year was approximately RMB2,346,000).

Decrease in turnover mentioned above is one of the factors leading to the loss increase, as most administrative cost are fixed in nature and will reamin unchanged even thought turnover changed significantly. Secondly, decrease in other operating income from RMB7,071,000 of last year to RMB4,372,000 of this year also attributable to the loss increase. Such other operating income decrease is primarily due to decrease in subsidiary income from PRC government. Finally, the provision of obsolete inventories of approximately RMB3,569,000 and impairment loss on development cost and other intangible assets of approximately RMB2,938,000 is another reason leading to the increase in group's loss.

In order to improve the financial situation, The Group has adopted various measures to reduce cost and expenses. They include the reduction of manpower, strict control of expenses and the reduction of inventories held. With the rpoducts of our group become more mature in the market and the effective cost control, we expect that financial results of the group will be improved in the coming year.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING RATIO

As at 31 December 2005, the Group had bank borrowings at prime rate of RMB15 million (2004: RMB5.1 million), 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 (2004: nil).

As at 31 December 2005, the Group held cash and cash equivalents denominated in RMB, US dollars and HK dollars, amounted to approximately RMB2.5 million.

The gearing ratio of the Group, based on total liabilities over total assets, as at 31 December 2005 was approximately 97% (2004: 43%).

ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The group did not have any material acquisitions or disposals of subsidiaries and affiliated companies, or significant investments during the year.

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 2005, the Group had 145 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 RMB8.7 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 2005, 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 2005, the Group did not have any material contingent liabilities (2004: 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 2005	Year ended 31 December 2004	Year ended 31 December 2003	Year ended 31 December 2002	Year ended 31 December 2001
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**11,276**	40,303	37,848	62,853	70,416
(Loss) / Profit attributable to shareholders	**(37,221)**	(2,346)	(31,667)	(10,313)	10,460
Total assets	**41,894**	66,873	80,559	117,729	131,526
Total liabilities	**(40,595)**	(28,631)	(39,970)	(45,456)	(45,842)
Net assets	**1,299**	38,242	40,589	72,273	85,684

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases and sales for the year ended 31 December 2005 attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	91%
— five largest suppliers combined	100%
Sales	
— the largest customer	17%
— five largest customers combined	39%

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 61, 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 22 years' company management and strategy programming experience and 10 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 52, 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 41, Director of our Group. Mr. Xu acquired professional accountant qualification in 1995 in China. Mr. Xu has over 22 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 of our Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDITING COMMITTEE

Mr. Pao Ping Wing, aged 58, independent non-executive director of the Group and Chairman of the Auditing Committee. Mr. Pao 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. Pao 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 18 years concerning this position.

Mr. Tam, Kwok Hing, aged 58, 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.

Mr. Lo King Man, aged 68, 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 Principal 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 59, 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.

SENIOR MANAGEMENT *(Cont'd)*

Mr. Chan, Kam Fai, aged 44, 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 41, 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. Li Ban, aged 40, 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 10 years regarding capital operation and law issues.

Mr. Qiu Lei, aged 35, is the General Manager of Hangzhou Singlee Technology Co., Ltd. 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 35, 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 37, is Assistant General Manager of Hangzhou Singlee Technology Co., Ltd. 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 34, who got a bachelor's degree on Computer Scientific, is Assistant General Manager of Hangzhou Singlee Technology Co., Ltd. Mr. Qin once worked in Yokogawa Electric Corporation, and entered Singlee Group in 1998. While in Singlee he once 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 2005.

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 22.

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 2005, the Company's reserves available for distribution to shareholders amounted in total to approximately RMB34,783,000 (2004: RMB41,092,000).

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 31 December 2005, shareholders (other than directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, directly, or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity/ Nature of interest	Number of shares held Long position	Short position	Percentage 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 2005, the directors or chief executives of the Company were not aware of any other person (other than directors or chief executives of the Company) who had an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or any other substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2005, 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:

		Number of shares held		Percentage
Name of directors	**Capacity/ Nature of interest**	**Long position**	**Short position**	**of shareholding**
Mr. Hung Yung Lai	Corporate interest	306,000,000 *(note 1)*	—	50.7%

Shares in associated corporation:

		Number of ordinary shares held in Goldcorp Industrial Limited *(note 2)*		Percentage
Name of directors	**Capacity/ Nature of interest**	**Long position**	**Short position**	**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 2005 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 31 December 2005 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 2005	Number of share options granted during the year	Number of share options exercised during the year	Number of share options cancelled during the year	Number of share options lapsed during the year	Number of share options outstanding as at 31 December 2005
Cui Jian	7 September 2002 to 7 April 2012	3,180,000	—	—	—	—	3,180,000
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	8,640,000	—	—	(990,000)	—	7,650,000
		21,820,000	—	—	(10,990,000)	—	10,830,000

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 2005, 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 2005 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 2005 to the date of this report were:

Executive Directors
Hung Yung Lai *(Chairman)*
Cui Jian
Xu Shu Yi
Wong Chi Shun (appointed on 12 April 2005 & resigned on 6 March 2006)

Independent Non-Executive Directors
Pao Ping Wing
Tam Kwok Hing
Lo King Man (appointed on 15 March 2005)

In accordance with Article 87 of the Company's Bye-Laws, Pao Ping Wing, 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.

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

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not 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 31 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 31 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.

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 2006

CORPORATE GOVERNANCE PRACTICES

The hoard of directors of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The Company has applied the principles and complied with the requirements set out in the Code on Corporate Governance Practices ("CG code") contained in Appendix 15 of the GEM listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in GEM Listing Rules 5.48 to 5.67. 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.

BOARD OF DIRECTORS

The board of directors of the Company comprises :

Executive Directors	:	Hung Yung Lai
	:	Cui Jian
	:	Xu Shu Yi
	:	Wong Chi Shun (appointed on 12 April 2005 & resigned on 6 March 2006)
Independent Non-executive Directors	:	Pao Ping Wing
	:	Tam Kwok Hing
	:	Lo King Man (appointed on 15 March 2005)

BOARD OF DIRECTORS *(Cont'd)*

During the year, four full board meetings were held and the attendance of each director is set out as follows :

Name of director	Number of Board meetings attended in 2005	Attendance rate
Hung Yung Lai	4/4	100%
Cui Jian	4/4	100%
Xu Shu Yi	3/4	75%
Wong Chi Shun	2/4	50%
Pao Ping Wing	4/4	100%
Tam Kwok Hing	4/4	100%
Lo King Man	4/4	100%

The board formulates overall strategy of the Group. monitors its financial performance and maintains effective oversight over the management. The board members are fully committed to their roles and have acted in good faith to maximise the shareholders' value in the long run, and have aligned the Group's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The directors are also responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for the period.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer of the Company are Mr. Hung Yung Lai and Mr. Chan Kam Fai respectively. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by two separate individuals who have no relationship with each other. The Chairman of the board is responsible for the leadership and effective running of the board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all aspects effectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive directors were appointed for a period of two years commencing from their appointment dates.

REMUNERATION OF DIRECTORS

The Remuneration Committee was formed in November 2005 to review the overall remuneration of Directors. One meeting was held and attendance of each member is set out as follows:

Name of member	**Number of meetings attended**	**Attendance rate**
Hung Yung Lai, Chairman	1/1	100%
Pao Ping Wing	1/1	100%
Tam Kwok Hing	1/1	100%
Lo King Man	1/1	100%

At the meeting held, remuneration of directors for the Company was reviewed and discussed.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, CCIF CPA Limited, is set out as follows:

Services rendered	**Fees paid/payable**
	HKD'000
Audit services	320
Non-audit services i.e. taxation	5
	325

AUDIT COMMITTEE

The Company has established an audit committee on 27 August 2001, with terms of reference in compliance with the requirements as set out in Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group and to provide advice and comments to the Board.

The Audit Committee of the Company comprises three Independent Non-executive Directors. Four meetings were held during the year and the attendance of each member is set out as follows:

Name of member	Number of meetings attended	Attendance rate
Mr. Pao Ping Wing	4/4	100%
Mr. Tam Kwok Hing	4/4	100%
Mr. Lo King Man	4/4	100%

During the meetings held, financial results of the Company was reviewed and discussed.

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 2005 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 22 to 60 which have been prepared in accordance with International Financial Reporting Standards. These financial statements are the responsibility of the Company's management.

We conducted our audit in accordance with International Standards on Auditing, except that the scope of our work was limited as explained below. 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.

Disclaimer of Opinion – Limitation of Scope

1. The intangible asset with carrying value of RMB 6,119,000 at 31 December 2005 as detailed in note 14 to the financial statements represents development cost and software for the provision of certain new software products for clients of the Group. However, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves the amount of RMB 6,119,000 was the fair value of this intangible assets as at the balance sheet date for the purpose of the International Accounting Standard 36 "Impairment of Assets". Accordingly, we were unable to satisfy ourselves that the intangible assets is free from material misstatement.

2. In respect of closing inventories as at 31 December 2005 as detailed in note 18 to the financial statements, there were amounts of inventories valued RMB18,005,000 which were carrying at the year-end date. We were not provided with sufficient appropriate audit evidence in order to satisfy ourselves whether the amounts were stated at the lower of cost and net realizable values as required by the International Accounting Standard 2 "Inventories".

Because of the significance of the matters referred to in the preceding paragraphs, any adjustments to the figures would have consequential effects on the net assets of the Group and the Company as at 31 December 2005 and the net loss and of the Group for the year then ended. We are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the affairs of the Company and the Group as of 31 December 2005 and of the loss and cash flows of the Group for the year then ended in accordance with the International Financial Reporting Standards, as published by the International Accounting Standards Board, and whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong,

Chan Wai Dune, Charles
Practising Certificate Number P00712

Consolidated Income Statement

For the year ended 31 December 2005
(Expressed in thousands of Renminbi ("RMB") except for loss per share)

		Group	
	Note	**2005**	2004
		RMB'000	*RMB'000*
Revenue	4	**11,276**	40,303
Cost of sales		**(15,238)**	(23,141)
Gross (loss)/profit		**(3,962)**	17,162
Other operating income	5	**4,372**	7,071
Distribution costs		**(15,393)**	(6,779)
General and administrative expenses		**(21,412)**	(19,578)
Loss from operations		**(36,395)**	(2,124)
Finance costs	6	**(826)**	(222)
Loss before tax	7	**(37,221)**	(2,346)
Income tax expenses	9	**—**	—
Net loss for the year		**(37,221)**	(2,346)
Dividends	11	**—**	—
Loss per share	12		
- Basic		**(RMB6.17 cents)**	(RMB0.39 cents)
- Diluted		**N/A**	N/A

Balance Sheets

As at 31 December 2005
(Expressed in thousands of RMB)

	Note	Group 2005 RMB'000	Group 2004 RMB'000	Company 2005 RMB'000	Company 2004 RMB'000
ASSETS					
Non-current assets					
Intangible assets	14	**6,119**	9,234	**—**	—
Property, plant and equipment	15	**2,992**	5,631	**24**	43
Interests in subsidiaries	16	**—**	—	**48,576**	58,051
		9,111	14,865	**48,600**	58,094
Current assets					
Deposits, prepayments and other receivables	17	**5,760**	14,154	**8,433**	3,575
Inventories	18	**18,005**	9,545	**11,966**	749
Trade receivables	19	**4,430**	17,597	**—**	—
Tax receivable		**2,083**	—	**—**	—
Cash and cash equivalents	20	**2,505**	10,712	**1**	55
		32,783	52,008	**20,400**	4,379
Total assets		**41,894**	66,873	**69,000**	62,473
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	21	**6,271**	6,392	**6,271**	6,392
Reserves	22	**(4,972)**	31,850	**34,783**	41,092
		1,299	38,242	**41,054**	47,484
Current liabilities					
Bank overdrafts	23	**5,586**	5,155	**5,586**	5,155
Trade payables	24	**7,603**	8,831	**2,445**	—
Accruals and other payables		**5,165**	1,785	**842**	865
Customers' deposits	25	**1,904**	2,890	**—**	—
Bills payable	23	**9,284**	3,357	**9,284**	3,357
Interest bearing borrowings	26	**1,785**	—	**1,785**	—
Due to ultimate holding company	27	**14**	14	**14**	14
Due to a related company	27	**5,477**	3,180	**5,477**	3,180
Due to directors	27	**2,426**	2,418	**2,513**	2,418
Tax payable	28	**—**	857	**—**	—
Deferred income	29	**1,351**	144	**—**	—
		40,595	28,631	**27,946**	14,989
Total equity and liabilities		**41,894**	66,873	**69,000**	62,473

Approved and authorised for issue by and signed on behalf of the Board of Directors on 24 March 2006.

Mr. Hung Yung Lai
Chairman

Mr. Xu Shu Yi
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2005
(Expressed in thousands of RMB)

	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Revenue reserve *RMB'000*	Cumulative translation adjustments *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Balance at 1 January 2005	6,392	59,267	—	3,613	13	(31,043)	38,242
Translation exchange differences	(121)	(1,119)	—	—	1,518	—	278
Net loss for the year	—	—	—	—	—	(37,221)	(37,221)
Balance at 31 December 2005	6,271	58,148	—	3,613	1,531	(68,264)	1,299
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

Consolidated Cash Flow Statement

For the year ended 31 December 2005
(Expressed in thousands of RMB)

	Group	
	2005	2004
	RMB'000	*RMB'000*
Cash flows from operating activities:		
Loss from operations	**(37,221)**	(2,346)
Adjustments for:		
Loss on disposal of property, plant and equipment	**326**	5
Depreciation of property, plant and equipment	**2,662**	2,624
Amortisation of intangible assets	**903**	2,028
Impairment loss on intangible assets	**2,938**	—
Interest paid on bank overdraft	**337**	222
Interest paid on bills	**279**	—
Interest paid on borrowings	**19**	—
Interest income	**(17)**	(29)
Provision for doubtful debts	**—**	5,040
Provision for obsolete inventories	**3,569**	285
Operating (loss)/profit before working capital changes	**(26,205)**	7,829
(Increase)/decrease in inventories	**(12,029)**	4,205
Decrease in trade receivables	**13,167**	2,671
Decrease/(increase) in deposits, prepayments and other receivables	**8,394**	(3,595)
Decrease in trade payable	**(1,228)**	(2,662)
Increase/(decrease) in accruals and other payables	**3,380**	(701)
Decrease in customers' deposits	**(986)**	(1,102)
Increase in amount due to a related company	**2,297**	—
Decrease in amount due to ultimate holding company	**—**	(1,908)
Increase in due to directors	**8**	2,418
Decrease in tax payable	**(2,940)**	(6,710)
Increase/(decrease) in deferred income	**1,207**	(333)
Cash (used in)/generated from operations	**(14,935)**	112
Interest income	**17**	29
Interest on bank overdrafts	**(337)**	(222)
Interest on bills	**(279)**	—
Interest on borrowings	**(19)**	—
Net cash used in operating activities	**(15,553)**	(81)

Consolidated Cash Flow Statement

For the year ended 31 December 2005
(Expressed in thousands of RMB)

	Group	
	2005	2004
	RMB'000	*RMB'000*
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired *(Note a)*	**—**	(414)
Sales proceeds of property, plant and equipment	**53**	19
Purchase of property, plant and equipment	**(402)**	(725)
Additions of intangible assets	**(726)**	(729)
Net cash used in investing activities	**(1,075)**	(1,849)
Cash flows from financing activities		
Cash received from borrowings	**1,785**	—
Net cash used in financing activities	**1,785**	—
Net decrease in cash and cash equivalents	**(14,843)**	(1,930)
Cash and cash equivalents at beginning of year	**2,200**	4,131
Effect of foreign rate changes	**278**	(1)
Cash and cash equivalents at end of year	**(12,365)**	2,200
Analysis on cash and cash equivalents		
Cash and bank deposits	**2,505**	10,712
Bank overdrafts	**(5,586)**	(5,155)
Bills payable	**(9,284)**	(3,357)
	(12,365)	2,200

(Expressed in thousands of RMB)

A) Acquisition of a subsidiary

	2005	2004
	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:

	2005	2004
	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)

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 145 employees as at 31 December 2005.

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 2006 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 2005)
— IAS 39 Financial instruments: Recognition and measurement (revised 2005)

Adoption of IFRSs

In 2005, the company has adopted all IFRSs issued up to 31 December 2005 pertinent to its operations. The applicable IFRSs are set out below and the 2005 accounts have been restated in accordance with the relevant requirements.

— 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 2003);
— IAS 16 Property, plant and equipment (revised 2003);
— IAS 17 Leases (revised 2003);
— IAS 24 Related party disclosures (revised 2003);
— IAS 21 The effects of changes in foreign exchange rates (revised 2003);
— IAS 27 Consolidated and separated financial statements (revised 2003);
— IAS 32 Financial instruments: Disclosure and presentation (revised 2003);
— IAS 33 Earnings per share (revised 2003);
— IAS 36 Impairment of assets (revised 2004); and
— IAS 38 Intangible assets (revised 2004).

The adoption of above list of IFRSs did not result in substantial changes to the company's policies.

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 2005. The financial statements of the subsidiaries are prepared using consistent accounting policies.

Subsidiaries are consolidated from the date on which control of the financial and operating policies of an entity so as to obtain benefits from its activities is transferred to the Group and ceased to be consolidated from the date on which such 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.

Deferred income is recognised as income when the respective 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 3(i)) and impairment losses (see note 3(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 3(i)) and impairment losses (see note 3(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 impairment losses (see Note 3(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 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 amortised 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 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 for 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 60 – 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.

Critical accounting judgements and key sources of estimation uncertainty

Allowances for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

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.

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

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.

o) TRADE AND OTHER PAYABLES

Liabilities for trade and other payables which are normally settled on terms of about 60 to 90 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.

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

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.

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 individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The Company and its subsidiaries established in the PRC maintain their books and records in Renminbi ("RMB"). The British Virgin Islands ("BVI")'s subsidiary maintain their books and records in Hong Kong dollars ("HK$"). 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.

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

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.

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.

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

w) INCOME TAX *(Cont'd)*

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.

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

The 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	
	2005	2004
	RMB'000	*RMB'000*
Computer software	**5,253**	9,619
Computer hardware	**2,950**	17,062
Provision for maintenance services	**3,073**	13,622
	11,276	40,303

All sales were derived from the PRC during the year.

5. OTHER OPERATING INCOME

	Group	
	2005	2004
	RMB'000	*RMB'000*
Interest income from bank deposits	**17**	29
VAT refund *(See Note 28)*	**—**	857
Enterprise income tax refund	**—**	277
Government and other subsidies	**1,936**	5,908
Rental income	**95**	—
Deferred income recognised this year	**2,145**	—
Sundry income	**179**	—
	4,372	7,071

6. FINANCE COSTS

	Group	
	2005	2004
	RMB'000	*RMB'000*
Interest on bank overdrafts	**337**	222
Interest on bills	**279**	—
Interest on borrowings	**19**	—
Bank charges	**191**	—
	826	222

7. LOSS BEFORE TAX

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

	Group	
	2005	2004
	RMB'000	*RMB'000*
After crediting:		
Interest income	**17**	29
After charging:		
Staff costs (including directors' remuneration) *(Note 8)*		
— Salaries and wages	**8,268**	9,720
— Contribution to retirement schemes *(Note 30)*	**222**	297
— Staff welfare and others	**224**	53
	8,714	10,070
Cost of inventories sold	**7,379**	14,903
Research and development costs expenditures	**7,835**	470
Amortisation of intangible assets	**903**	2,028
Depreciation of property, plant and equipment	**2,662**	2,624
Provision for doubtful debts	**—**	5,040
Provision for obsolete inventories	**3,569**	285
Operating lease rentals	**2,202**	2,382
Loss on disposal of property, plant and equipment	**326**	5
Auditors' remuneration	**356**	386

8. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

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

	Group	
	2005	2004
	RMB'000	*RMB'000*
Fees	**213**	76
Other emoluments:		
Salaries, allowances and benefits in kind	**256**	175
Retirement benefits	**9**	4
	265	179
	478	255

Analysis of emoluments of the directors, including four executive directors (2004: four), by number of individuals and emolument range was as follows:

	Number	
	2005	2004
RMB Nil – RMB1,060,000 (equivalent to HK$1,000,000)	**7**	7

No executive directors (2004: nil) waived emoluments during the year ended 31 December 2005 (2004: RMB nil).

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

ii) The five highest paid employees during the year included nil (2004: two) directors.

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

	2005	2004
	RMB'000	*RMB'000*
Fees	**—**	—
Salaries, allowances and benefits in kind	**984**	1,070
Retirement benefits	**28**	23
	1,012	1,093

	Number	Number
Directors	**—**	—
Employees	**5**	5
	5	5

	Number of staff	
	2005	2004
RMB Nil – RMB1,060,000 (equivalent to 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 (2004: nil).

During the year, RMB nil was paid as compensation for loss of office to the five highest paid individuals (including directors and employees) (2004: RMB nil).

9. INCOME TAX EXPENSE

	Group	
	2005	2004
	RMB'000	*RMB'000*
PRC enterprise income tax (c)	**—**	—

9. INCOME TAX EXPENSE *(Cont'd)*

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:

	2005		2004	
	RMB'000	**%**	RMB'000	%
Accounting loss before taxation	**(37,221)**	**100**	(2,346)	100
Tax at the statutory tax rate	**(12,283)**	**(33)**	(774)	(33)
Tax loss unutilized	**12,283**	**33**	774	33
Tax expense	**—**	**—**	—	—

There was no significant unprovided deferred taxation for the year ended 31 December 2005 (2004: 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 2005 dealt with in the financial statements of the Company was RMB5,190,000 (2004: RMB2,000,000).

11. DIVIDENDS

During the year ended 31 December 2005, RMB nil dividend was declared and paid (2004: 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 RMB37,221,000 (2004: RMB2,346,000) divided by the weighted average number of ordinary shares outstanding during the year of 603,000,000 shares (2004: 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			
	Goodwill	Development costs	Software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
Beginning of year	—	10,670	939	11,609
Additions for the year	272	729	—	1,001
End of year	272	11,399	939	12,610
Accumulated amortisation				
Beginning of year	—	1,082	266	1,348
Amortisation for the year	—	1,840	188	2,028
Impairment loss	—	—	—	—
End of year	—	2,922	454	3,376
Net carrying value				
End of year	272	8,477	485	9,234
Beginning of year	—	9,588	673	10,261

14. INTANGIBLE ASSETS *(Cont'd)*

	Group			
	2005			
	Goodwill *RMB'000*	**Development costs** *RMB'000*	**Software** *RMB'000*	**Total** *RMB'000*
Cost				
Beginning of year	272	11,399	939	12,610
Additions for the year	—	726	—	726
End of year	272	12,125	939	13,336
Accumulated amortisation				
Beginning of year	—	2,922	454	3,376
Amortisation for the year	—	716	187	903
Impairment loss	272	2,488	178	2,938
End of year	272	6,126	819	7,217
Net carrying value				
End of year	—	5,999	120	6,119
Beginning of year	272	8,477	485	9,234

Note:

Development costs capitalised include expenses incurred by the Group in the development of certain new software products. 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 amount of 31 December 2005.

15. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment were:

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

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

	Group				
	2005				
	Leasehold improvements *RMB'000*	**Computer and related equipment** *RMB'000*	**Other office equipment** *RMB'000*	**Motor vehicles** *RMB'000*	**Total** *RMB'000*
Cost					
Beginning of year	2,861	8,897	3,466	1,205	16,429
Additions for the year	—	372	30	—	402
Acquisition of a subsidiary	—	—	—	—	—
Disposals	—	(305)	(86)	(52)	(443)
End of year	2,861	8,964	3,410	1,153	16,388
Accumulated depreciation					
Beginning of year	1,770	6,363	2,142	523	10,798
Charge for the year	494	1,483	452	233	2,662
Disposals	—	(31)	(17)	(16)	(64)
End of year	2,264	7,815	2,577	740	13,396
Net book value					
End of year	597	1,149	833	413	2,992
Beginning of year	1,091	2,534	1,324	682	5,631

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

	Company Computer and related equipment	
	2005	2004
	RMB'000	*RMB'000*
Cost		
Beginning of year	**90**	107
Disposals	**—**	(17)
End of year	**90**	90
Accumulated depreciation		
Beginning of year	**47**	31
Charge for the year	**19**	19
Disposals	**—**	(3)
End of year	**66**	47
Net book value		
End of year	**24**	43
Beginning of year	**43**	76

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 2005.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	RMB'000	*RMB'000*
Share of net identifiable assets of subsidiaries	**—**	—
Amounts due from subsidiaries	**48,576**	58,051
	48,576	58,051

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

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

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

The directors are of the opinion that the underlying values of the subsidiaries were not less than their carrying amount at 31 December 2005.

At 31 December 2005, 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 2004 The PRC	—	100%	US$1,250,000/ US$1,250,000	Same as above
Beijing Century Financial Knowledge Company Limited ("Beijing Century")	16 June 2005 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	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Business tax recoverable	**—**	21	**—**	—
Value-added tax ("VAT") recoverable *(Note 28)*	**—**	—	**—**	—
Advance to employees	**990**	3,865	**—**	962
Deposits and others	**4,770**	10,268	**8,433**	2,613
	5,760	14,154	**8,433**	3,575

18. INVENTORIES

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Finished goods, at cost	**23,865**	11,836	**11,966**	749
Less: Provision for obsolete inventories	**(5,860)**	(2,291)	**—**	—
	18,005	9,545	**11,966**	749

At 31 December 2005, no inventory was stated at net realisable value (2004: Nil).

19. TRADE RECEIVABLES

The normal credit period granted by the Group is on average 60 to 90 days from the date of invoice.

The aging analysis of trade receivables is as follows:

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 90 days	**2,912**	16,060	**—**	—
Over 90 days but within 180 days	**35**	520	**—**	—
Over 180 days but within 365 days	**3,328**	2,265	**—**	—
Above 365 days	**11,789**	12,386	**—**	—
	18,064	31,231	**—**	—
Less: Provision for doubtful receivables	**(13,634)**	(13,634)	**—**	—
	4,430	17,597	**—**	—

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and cash equivalents				
— denominated in HK$	**21**	24	**1**	4
— denominated in US$	**13**	72	**—**	51
— denominated in RMB	**2,471**	10,616	**—**	—
	2,505	10,712	**1**	55

At 31 December 2005, there were no bank deposits (2004: RMB nil) pledged as security for banking facilities.

21. SHARE CAPITAL

	Number of shares	Nominal value *HK$'000*	Nominal value *RMB'000* *
Authorised (ordinary share of HK$0.01 each)	10,000,000,000	100,000	104,000
Issued and fully paid (ordinary share of HK$0.01 each):			
At 31 December 2004	603,000,000	6,030	6,392
Translation adjustment	—	—	(121)
At 31 December 2005	603,000,000	6,030	6,271

* at the ruling of foreign exchange rate of HK$1 = RMB1.04

22. RESERVES

Movements of reserves were:

Group

2004

	Share premium *RMB'000*	Capital reserve *RMB'000*	Revenue reserve *RMB'000*	Cumulative translation adjustments *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Balance at beginning of year	59,267	—	3,613	14	(28,697)	34,197
Translation adjustments	—	—	—	(1)	—	(1)
Net loss for the year	—	—	—	—	(2,346)	(2,346)
Balance at end of year	59,207	—	3,613	13	(31,043)	31,850

2005

	Share premium ***RMB'000***	**Capital reserve** ***RMB'000***	**Revenue reserve** ***RMB'000***	**Cumulative translation adjustments** ***RMB'000***	**Accumulated losses** ***RMB'000***	**Total** ***RMB'000***
Balance at beginning of year	**59,267**	**—**	**3,613**	**13**	**(31,043)**	**31,850**
Translation adjustments	**(1,119)**	**—**	**—**	**1,518**	**—**	**399**
Net loss for the year	**—**	**—**	**—**	**—**	**(37,221)**	**(37,221)**
Balance at end of year	**58,148**	**—**	**3,613**	**1,531**	**(68,264)**	**(4,972)**

22. RESERVES *(Cont'd)*

Company

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

	2005					
	Share premium ***RMB'000***	**Capital reserve** ***RMB'000***	**Revenue reserve** ***RMB'000***	**Cumulative translation adjustments** ***RMB'000***	**Accumulated losses** ***RMB'000***	**Total** ***RMB'000***
Balance at beginning of year	**59,267**	**4,718**	—	—	**(22,893)**	**41,092**
Translation adjustments	**(1,119)**	—	—	—	—	**(1,119)**
Net loss for the year	—	—	—	—	**(5,190)**	**(5,190)**
Balance at end of year	**58,148**	**4,718**	—	—	**(28,083)**	**34,783**

PRC laws and regulations require wholly foreign-owned enterprises to provide for certain statutory funds, namely, reserve fund and staff and worker's bonus and welfare fund, which are appropriated from net profit after tax (based on the local statutory accounts of the Company's subsidiaries in the PRC) but before dividend distribution. The subsidiaries are required to allocate at least 10% of their net profit to the reserve fund until the balance of such fund has reached 50% of their respective registered capital. Appropriation to the staff and workers' bonus and welfare fund is at the discretion of the directors of such subsidiaries. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital. The staff and workers' bonus and welfare fund can only be used for special bonuses or collective welfare of the employees of the individual subsidiary, and assets acquired through this fund shall not be taken as the Group's assets. At 31 December 2005, the reserve funds amounted to approximately RMB3,613,000 (2004: 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.

22. RESERVES *(Cont'd)*

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

At 31 December 2005, the Company's reserves available for distribution to shareholders amounted to approximately RMB34,783,000 (2004: RMB41,092,000), 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 RMB58,148,000 and RMB4,718,000 (2004: RMB59,267,000 and RMB4,718,000) respectively, less accumulated losses of approximately RMB28,083,000 (2004: RMB22,893,000). 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 2005, 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**	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 90 days	**6,238**	5,718	**2,445**	—
Over 90 days but within 180 days	**353**	365	**—**	—
Over 180 days but within 365 days	**999**	2,470	**—**	—
Above 365 days	**13**	278	**—**	—
	7,603	8,831	**2,445**	—

25. CUSTOMERS' DEPOSITS

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

26. BORROWINGS

	Group		Company	
	Interest bearing		Interest bearing	
	2005	2004	2005	2004
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans				
Unsecured	**1,785**	—	**1,785**	—

The analysis of the above balances is as follows:

	Group 2005 *RMB'000*	Group 2004 *RMB'000*	Company 2005 *RMB'000*	Company 2004 *RMB'000*
Other loans				
Wholly repayable within five years	**1,785**	—	**1,785**	—
Current portion of other loans	**(1,785)**	—	**(1,785)**	—
	—	—	**—**	—

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

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

28. TAX PAYABLE

	Group	
	2005	2004
	RMB'000	*RMB'000*
VAT payable	**—**	413
Others	**—**	444
	—	857

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).

29. DEFERRED INCOME

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

30. 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 2005, the Group had no significant obligation apart from the contribution as stated above (2004: 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:

	2005	2004
	RMB'000	*RMB'000*
Contributions to retirement schemes	**222**	297

31. RELATED PARTY TRANSACTIONS

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

The Group had the following significant transactions with related companies, Hangzhou Singlee Electronics Company Limited ("Singlee Electronics") and Sing Lee Pharmaceutical Import & Export Company Limited ("Sing Lee Pharmaceutical") for the year ended 31 December 2005:

	Group	
	2005	2004
	RMB'000	*RMB'000*
Purchase of motor vehicles from Singlee Electronics	—	499
Rental paid to Sing Lee Pharmaceutical for lease of office premises	262	371
Total	262	870

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.

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

32. CONTINGENT LIABILITIES

At 31 December 2005, the Group had no significant contingent liabilities to be provided for or disclosed in the financial statements (2004: nil).

33. OPERATING LEASE COMMITMENTS

At 31 December 2005, the Group had total future minimum lease payments under non-cancellable operating leases in respect of buildings and vehicles as follows:

	2005	2004
	RMB'000	*RMB'000*
Repayable:		
— not later than one year	**1,362**	1,676
— later than one year and not later than five years	**1,030**	374
	2,392	2,050

34. 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.

35. 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.

36. 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.

37. 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.

37. CONCENTRATION OF RISKS *(Cont'd)*

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.