



SING LEE SOFTWARE (GROUP) LIMITED

新利軟件(集團)股份有限公司*

(incorporated in Bermuda with limited liability)

**FIRST QUARTERLY RESULTS REPORT
FOR THE THREE MONTHS ENDED
31ST MARCH, 2002**

** For identification purposes only*

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This report, for which the directors of Sing Lee Software (Group) Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Sing Lee Software (Group) Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31ST MARCH, 2002

The board of Directors (“Board”) of Sing Lee Software (Group) Limited (the “Company”) announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31st March, 2002, together with the audited comparative figures for the corresponding period in 2001, as follow:

	<i>Note</i>	Three months ended	
		31st March,	
		2002	2001
		Rmb'000	Rmb'000
Revenue	2	8,371	9,155
Cost of sales		(5,649)	(8,964)
Gross profit		<u>2,722</u>	<u>191</u>
Distribution costs		(3,480)	(172)
General and administrative expenses		(5,515)	(2,977)
Other operating income		<u>467</u>	<u>0</u>
Loss from operations		(5,806)	(2,958)
Finance cost		(110)	(253)
Loss before taxation		(5,916)	(3,211)
Income tax expense	3	<u>(32)</u>	<u>0</u>
Loss after taxation		(5,948)	(3,211)
Minority interests		<u>0</u>	<u>480</u>
Loss attributable to shareholders		<u>(5,948)</u>	<u>(2,731)</u>
Loss per share			
— Basic	4	<u>Rmb(0.99) cents</u>	<u>Rmb(0.60) cents</u>
— Diluted		<u>N/A</u>	<u>N/A</u>
Dividend per share		nil	nil

Notes:

1. Basis of presentation

The Company was incorporated in Bermuda as an exempted company with limited liability on 27th October, 2000 under the Company Act 1981 of Bermuda. In preparation for the listing of the Company’s shares on GEM, a group reorganization was effected whereby the Company became the holding company of the Group on 27th August, 2001. The shares of the Company (the “Shares”) were listed on GEM on 5th September, 2001 (the “Listing Date”).

The results of the Group have been prepared on the basis of the pooling of interest method as if the current group structure had been in existence throughout the periods under review or since the respective dates of incorporation or establishment of the respective subsidiaries now comprising the Group, whichever is a shorter period.

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

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

2. Turnover

The Group is principally engaged in the development and sale of information and network technologies and services to the financial industry in Mainland China (the "PRC"). Turnover comprises the following:

	Three months ended	
	31st March,	
	2002	2001
	Rmb'000	Rmb'000
Sales of software	3,099	4,610
Sales of hardware	4,365	3,549
Maintenance income	907	996
	<u>8,371</u>	<u>9,155</u>

3. Taxation

As the Group companies had no income assessable for profits tax in Bermuda or in Hong Kong for the three months ended 31st March, 2002 (the three months ended 31st March, 2001: Nil), no provision had been made for profits tax for both jurisdictions.

New and high technology enterprises that incorporated in the Advanced Technology Industry Development Area in Hangzhou City are entitled to reduced income tax of 15%. In addition, foreign investment enterprise of production nature 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.

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

4. Loss per share

The calculation of the Group's basic loss per share for the three months ended 31st March, 2002 is based on the Group's unaudited consolidated loss attributable to shareholder of approximately Rmb5,948,000 (2001: audited combined loss of approximately Rmb2,731,000) and the weighted average number of 603,000,000 shares (2001: 453,000,000 shares) in issue respectively.

There were no dilutive potential shares in issue during the quarters ended 31st March, 2002 and 2001.

5. Movement of reserves

	Share Premium unaudited Rmb'000	Capital Reserve unaudited Rmb'000	Revenue Reserve unaudited Rmb'000	Cumulative Translation Adjustments unaudited Rmb'000	Retained Earnings/ (Accumulated Losses) unaudited Rmb'000	Total Rmb'000
Balance as of 1st January, 2002	59,123	3,435	4,454	4	12,276	79,292
Loss for the three months ended						
31st March, 2002	0	0	0	0	(5,948)	(5,948)
Dividend declared	0	0	0	0	(3,196)	(3,196)
Reclassification	0	(1,500)	0	0	1,500	0
Utilization during the period	0	0	(47)	0	0	(47)
Balance as of 31st March, 2002	<u>59,123</u>	<u>1,935</u>	<u>4,407</u>	<u>4</u>	<u>4,632</u>	<u>70,101</u>
Balance as of 1st January, 2001	0	3,930	3,104	0	4,666	11,700
Buy out of minority interests						
before listing	0	(480)	0	0	0	(480)
Loss for the three months ended						
31st March, 2001	0	0	0	0	(2,731)	(2,731)
Balance as of 31st March, 2001	<u>0</u>	<u>3,450</u>	<u>3,104</u>	<u>0</u>	<u>1,935</u>	<u>8,489</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31st March, 2002 (2001: Nil).

BUSINESS REVIEW AND OUTLOOK

Business Review

Review of Operations

The Group has seen seasonal fluctuation as a result of the traditional Chinese New Year holiday and of the specific purchasing policy and mode of behaviour. Consequently, the Group posted a relatively low turnover in the first quarter, as has always been the case. In addition, since day-to-day expenses such as salaries payable to the Group's employees do not change with the Group's seasonal fluctuation in sales, it is not unusual that the Group may not be able to post positive results in the first half of the year (in particular the first quarter of each calendar year).

In this regard, the Group recorded an unaudited consolidated turnover for the three months ended 31st March, 2002 of approximately Rmb8.4 million, representing a drop of approximately 8% compared with corresponding quarter in 2001.

Gross profit margin for the reported quarter improved to 32% as compared to 2% in the corresponding quarter in 2001. The improvement was due to some development costs incurred during the reported quarter have been capitalised (2001 first quarter: Nil), and certain expenses incurred by the sales team following recent internal streamlining are identifiable as distribution cost (2001: they were included in cost of sales).

Loss attributable to shareholders for the three months ended 31st March, 2002 was enlarged to approximately Rmb5.9 million as compared to approximately Rmb2.7 million in the corresponding quarter in 2001. The enlarged loss was mainly caused by increase in manpower costs for the enhanced sales network, rise in average wages and increase in staff training costs.

Market Expansion

The Group launched onto the market the new “Integrated Securities Infrastructure Platform”, (新一代證券綜合業務平台), Unicorn (區域集中平台) and Electronic Payment Platform (新一代電子支付大平台) by the end of 2001, which was well-received. During the reported period, the Group continued to expand the applications of these three platforms. On 9th April, 2002, with its collaboration partners in the IT sector, namely HP, ORACLE, BEA, together with two collaboration partners in the financial sector, the Group held a presentation in Hong Kong for the official full-scale launching the above three novel business platforms. With the launching of such three novel products, financial and securities institutions both in the PRC and overseas can be linked more effectively. They enable a more effective management of diversified financial products, operating cost can be lowered and the quality of customer service can be enhanced, bringing more benefits to financial and securities companies.

In late March, 2002, the Securities Industry Association of the PRC held a view exchange meeting in Hangzhou on the drafting of regulations, rules and standards for the securities industry. The Group was invited to take part in the meeting in the capacity of an observer. The meeting shows that efforts to establish standards for the computerization of the securities industry of the PRC have been smooth.

Products and Research and Development

During the reported period, the Group continued with research and development of its products which incorporated the ALLWEB concept. Moreover, it placed more emphasis on the way research and development resources were deployed in response to the changes in the market. New products rolled out from the research and development efforts of the Group included the new Integrated Securities Infrastructure Platform (新一代證券綜合業務平台) and Unicorn (區域集中平台), and as for the series of banking-related personal financial management products, since the debut of the financial management product “Wireless Application - Unlimited Application”, research and development of follow-up products is underway.

Future Outlook

On 5th April, 2002, the China Securities Regulatory Commission promulgated the “Notice on the Adjustment to the Rate of Commission Chargeable on Securities Trading”, which has changed the fixed rates adopted by the PRC securities industry over the years to floating rates. Securities brokerage companies in the PRC will have to increase their investment in technology so as to reduce the transaction cost of customers, and to attract customers by means of differential services. These factors are favorable to the promotion of the Group’s securities solutions.

In 2002, in the wake of China’s accession to the World Trade Organization (“WTO”), liberalization of the financial industry of the PRC step by step is on its way. Commercial banks in the PRC are now operating under the immense pressure of international competitors. In late March, a number of commercial banks in the PRC joined efforts to form the 中國銀聯股份有限公司, which undertakes the inter-banks and inter-regional linked banking card transactions. This shows that the banking sector of China is tackling future competition with a new approach. As such, the banking-related solutions, in particular banking card-related products is seeing a market with a huge potential.

The Directors are well aware of the development pattern of the IT industry, where new and changes are constantly being sought after, hence innovative ideas and new initiatives in respect of the research and development of technology, marketing and sales and internal management are being introduced from time to time, which makes it possible for the Group to face the year 2002 and the promising future in a new shape.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2002, the register required to be kept by the Company under Section 16(1) of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) shows that shareholders interested in 10% or more of the issued share capital of the Company were as follows:

Name	Number of shares	Percentage of issued share capital
Goldcorp Industrial Limited	414,000,000 (<i>note 1</i>)	68.7%
Great Song Enterprises Limited	414,000,000 (<i>note 2</i>)	68.7%
Mr. Hung Yung Lai	414,000,000 (<i>note 2</i>)	68.7%
Ms. Li Kei Ling	414,000,000 (<i>note 3</i>)	68.7%

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 SDI Ordinance, to be interested in the same 414,000,000 shares held by Goldcorp Industrial Limited.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

Shares in the Company:

As at 31st March, 2002, the interests of the Directors and Chief Executives in the shares of the Company and its associated corporations (within the meaning of the SDI Ordinance), recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Exchange pursuant to minimum standards of dealing by Directors as refer to in rule 5.40 were as follows:

Name of directors	Number of shares	
	Personal interests	Corporate interests
Mr. Hung Yung Lai	Nil	414,000,000 (note 1)
Ms. Li Kei Ling	Nil	414,000,000 (note 1)

Notes:

1. The Shares were held by Goldcorp Industrial Limited, a company equally owned by Mr. Hung Yung Lai and Great Song Enterprises Limited which in turn is wholly owned by Ms. Li Kei Ling. Mr. Hung Yung Lai controls more than one third of the voting power of Goldcorp Industrial Limited. Ms. Li Kei Ling controls more than one third of the voting power of Great Song Enterprises Limited which in turn holds more than one third of the voting power of Goldcorp Industrial Limited. Mr. Hung Yung Lai and Ms. Li Kei Ling are deemed, by virtue of the SDI Ordinance, to be interested in the same 414,000,000 shares held by Goldcorp Industrial Limited.

Options to subscribe for shares in the Company:

Pursuant to the share option scheme for employees which was adopted on 27th August, 2001, the Directors may at their discretion grant options to employees and directors of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated in the share option scheme. The maximum number of ordinary shares in respect of which options may be granted under the share option scheme shall not exceed 30% of the issued share capital of the Company from time to time.

No share options were granted by the Company during the period from the Listing Date to 31st March, 2002.

Subsequent to reported quarter end, the Company granted options on 8th April, 2002 to 163 employees (including 3 executive directors) to subscribe for 60,230,000 shares of the Company at the exercise price of HK\$0.614 per share. These options are exercisable in the period from 7th September, 2002 to 7th April, 2012. The options granted to directors and chief executives on 8th April, 2002 are detailed below:

Name of directors and chief executives	Number of options in the Company granted	Date of grant	Exercise price per share
Duan Patrick	3,800,000	8th April, 2002	HK\$0.614
Cui Jian	3,180,000	8th April, 2002	HK\$0.614
Li Kei Ling	2,300,000	8th April, 2002	HK\$0.614

Save as disclosed above, at no time during the three months ended 31st March, 2002 was the Company or its subsidiaries a party to any arrangements to enable the directors or chief executives of the Company, their respective spouse and children under 18 to acquire benefits by means of acquisition of shares in the Company.

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 31st March, 2002 were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and who were able, as a practical matter, to direct or influence the management of the Company.

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

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the three months ended 31st March, 2002.

COMPETING INTERESTS

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

AUDIT COMMITTEE

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

The audit committee has reviewed this unaudited quarterly results for the three months ended 31st March, 2002.

INTEREST OF SPONSOR

Core Pacific-Yamaichi Capital Limited (the "Sponsor") has entered into a sponsorship agreement with the Company whereby, for a fee, the Sponsor will act as the Company's continuing sponsor for the purpose of Chapter 6 of the GEM Listing Rules for the remaining period up to 31st December, 2003.

Saved as disclosed above, to the best knowledge of the Sponsor, neither the Sponsor nor its directors or employees or associates, as at 31st March, 2002, had any interests in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

By Order of the Board
Hung Yung Lai
Chairman

Hong Kong, 14th May, 2002