

SEN HONG RESOURCES HOLDINGS LIMITED INTERIM REPORT 2001

The board (the "Board") of directors of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the three months ended 30 June, 2001.

BUSINESS REVIEW

The three months ended 30 June, 2001 continued to be a profitable quarter for the Group, albeit that the turnover and the net profit of the Group recorded a decrease. The Group recorded a turnover of approximately HK\$42.1 million, representing a decrease of approximately 56 per cent. over the same period in last year. The net profit attributable to shareholders for the quarter decreased by approximately 90 per cent. to approximately HK\$1.5 million with earnings per share decreased from HK3.92 cents to HK0.33 cents. The decrease in net profit was principally attributable to the financial performance of the five wholly-owned subsidiaries of the Company in the PRC, which were actually operated towards the end of last year. These subsidiaries are in their early stage of development with high level of operating expenses as compared with their sales contributions to the Group. This is coupled with the unexpected slowdown in the demand for automatic teller machines in China during the three months ended 30 June, 2001. As such, the overall profitability of the Group for the three months ended 30 June, 2001 was lower as compared with the same quarter in last year when these subsidiaries had yet to be established.

Nevertheless, the Board is optimistic that all these subsidiaries, which are set up to deliver customised and localised services to customers, will prove to be worthwhile investments for the Group. All these subsidiaries have started to contribute positively to the performance of the Group and that the level of their operating expenses is under strict control. The Board expects that these will improve the overall profitability of the Group in the future. Indeed, the Board believes that it is necessary for the Group to continue to invest in the PRC market so as to expand its market share and consolidate its leading position in the increasing competitive industry.

The Group is a leading "Total Solutionist" in the provision of information technology solutions for the banking and postal industries in China with focus on implementation and upgrading of self-service automatic teller machines ("ATMs") and electronic postal automation systems and provision of system hardware and software technical support and consultancy services. The Group is also actively engaged in the development and implementation of e-banking application software.

For the three months ended 30 June, 2001, the business of implementing and upgrading self-service ATM systems remained the core business of the Group. Sales derived from this business accounted for approximately 82 per cent. of the Group's total turnover for the period. The gross profit margin ratio of this business increased from 17 per cent. to 22 per cent. as compared with the same period in last year.

RESULTS

Meanwhile, the implementation and upgrading of electronic postal automation systems accounted for approximately 3 per cent. of the Group's turnover for the quarter under review. The gross profit margin ratio increased from 22 per cent. to approximately 29 per cent. as compared with the same period in last year. The "Gold Card Project" is in smooth progress under the administration of the Chinese government. The Board believes that the Group is well prepared to grasp these tremendous business opportunities ahead as the commercial banks in China are upgrading their systems to effect real-time fund transfers and settlement of inter-bank transactions.