



SING LEE SOFTWARE (GROUP) LIMITED

新利軟件(集團)股份有限公司*

(Incorporated in Bermuda with limited liability)

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

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This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30TH SEPTEMBER, 2001

The board of Directors ("Board") of Sing Lee Software (Group) Limited (the "Company") announce the unaudited combined results of the Company and its subsidiaries (collectively, the "Group") for the three and nine months ended 30th September, 2001, together with the unaudited comparative figures for the corresponding periods in 2000, as follow:

	<i>Note</i>	Three months ended 30th September,		Nine months ended 30th September,	
		2001 Rmb'000	2000 Rmb'000	2001 Rmb'000	2000 Rmb'000
Revenue		20,426	19,066	38,600	57,912
Cost of sales		(11,208)	(13,460)	(29,730)	(39,378)
Gross profit		9,218	5,606	8,870	18,534
Other operating income		—	610	—	610
Distribution costs		(575)	(178)	(1,396)	(1,480)
General and administrative expenses		(4,437)	(3,543)	(9,712)	(9,966)
Profit (loss) from operations		4,206	2,495	(2,238)	7,698
Finance cost, net		(236)	(232)	(856)	(526)
Profit (loss) before tax		3,970	2,263	(3,094)	7,172
Income tax expense		—	—	—	—
Profit (loss) after tax		3,970	2,263	(3,094)	7,172
Minority interests		—	(716)	480	(2,421)
Profit (loss) attributable to shareholders		3,970	1,547	(2,614)	4,751
Earnings (loss) per share - Basic	4	Rmb0.8 cents	Rmb0.34 cents	Rmb(0.56) cents	Rmb1.05 cents
Dividend per share		nil	nil	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 a uniting of interests basis 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 combined results have been prepared in accordance with International Accounting Standards ("IAS") issued by the International Accounting Standards Committee.

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 30th September,		Nine months ended 30th September,	
	2001	2000	2001	2000
<i>Note</i>	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Sales of software	12,256	6,914	20,292	19,274
Sales of hardware	7,630	10,598	15,870	34,443
Maintenance income	540	1,554	2,438	4,195
	<u>20,426</u>	<u>19,066</u>	<u>38,600</u>	<u>57,912</u>

3. Taxation

As the Group had no income assessable for profit taxes in Bermuda or in Hong Kong for the nine months ended 30th September, 2001 (the nine months ended 30th September, 2000: Nil), no provision had been made for profit taxes for both jurisdictions.

As a foreign investment enterprise incorporated in the Advanced Technology Industry Development Area in Hangzhou City, the Company's principal subsidiary Hangzhou Singlee Software Company Limited ("Singlee Software") is subject to Mainland China enterprise income tax at a rate of 15%. Also, it is 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. 1999 was Singlee Software's first profitable year, and it was entitled to full exemption from Mainland China enterprise income tax in 1999 and 2000. Starting from 2001 till 2003, Singlee Software will be entitled to a 50% reduction in income tax. As Singlee Software had no assessable income for the nine months ended 30th September, 2001 (the nine months ended 30th September, 2000: nil), no provision for enterprise income tax was considered as necessary.

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

4. Earnings (loss) per share

The calculation of the Group's basic earnings (loss) per share for the three months and nine months ended 30th September, 2001 is based on the Group's unaudited combined profit (loss) attributable to shareholder of approximately Rmb3,970,000 and Rmb(2,614,000) (2000: Rmb1,547,000 and Rmb4,751,000) respectively and the weighted average number of 495,391,300 shares and 467,233,600 shares (2000: 453,000,000 shares and 453,000,000 shares) in issue respectively.

There were no dilutive potential shares in issue during the periods ended 30th September, 2000 and 2001.

5. Movement of reserves

	Share Capital unaudited Rmb'000	Share Premium unaudited Rmb'000	Capital Reserve unaudited Rmb'000	Reserve (Accumulated Fund unaudited Rmb'000	Retained Earnings/ Losses) unaudited Rmb'000
Balance as of 1st July, 2001	106	—	3,450	3,104	(3,418)
Issue of new shares, net of issuing expenses	1,611	63,964	—	—	—
Capitalisation of share premium	4,675	(4,675)	—	—	—
Profit for three months ended 30th September, 2001	—	—	—	—	3,970
Balance as of 30th September, 2001	<u>6,392</u>	<u>59,289</u>	<u>3,450</u>	<u>3,104</u>	<u>552</u>
Balance as of 1st July, 2000	106	—	5,505	1,469	4,779
Buy out of minority interests before listing	—	—	716	—	—
Profit for three months ended 30th September, 2000	—	—	—	—	1,547
Balance as of 30th September, 2000	<u>106</u>	<u>0</u>	<u>6,221</u>	<u>1,469</u>	<u>6,326</u>
Balance as of 1st January, 2001	106	—	3,930	3,104	4,666
Buy out of minority interests before listing	—	—	(480)	—	—
Dividends	—	—	—	—	(1,500)
Issue of new shares, net of issuing expenses	1,611	63,964	—	—	—
Capitalisation of share premium	4,675	(4,675)	—	—	—
Loss for nine months ended 30th September, 2001	—	—	—	—	(2,614)
Balance as of 30th September, 2001	<u>6,392</u>	<u>59,289</u>	<u>3,450</u>	<u>3,104</u>	<u>552</u>
Balance as of 1st January, 2000	106	—	3,800	1,469	1,575
Buy out of minority interests before listing	—	—	2,421	—	—
Profit for nine months ended 30th September, 2000	—	—	—	—	4,751
Balance as of 30th September, 2000	<u>106</u>	<u>—</u>	<u>6,221</u>	<u>1,469</u>	<u>6,326</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30th September, 2001 (2000: Nil.)

BUSINESS REVIEW AND OUTLOOK

Business Review

Review of Operations

During the reported period, the securities market in the PRC was obviously not as strong as that during the corresponding period in 2000. This has resulted in a certain contraction in the securities brokerage business in the PRC. Also, certain companies engaging in securities business in the PRC took the initiative to restructure themselves, which had an impact on the sales of the securities and banking solutions of the Group as well as the sales of certain hardware, whereas certain contracts will continue to be performed in the fourth quarter.

In this regard, the Group recorded an unaudited turnover of approximately Rmb20.4 million and Rmb38.6 million for the quarter and the nine months ended 30th September, 2001 respectively. Nine months turnover dropped by approximately 33% compared with the corresponding period in the previous year.

Gross profit of the Group decreased by approximately 52% to approximately Rmb8.9 million for the nine months ended 30th September, 2001. The drop was primarily due to an increase in direct labor cost as a result of more staff having been employed and a decrease in selling prices of major software products to cope with intense market competition. Gross profit margin of hardware however remained stable at approximately 34%.

Profit attributable to shareholders for the quarter ended 30th September, 2001 was approximately Rmb4.0 million, whereas the loss attributable to shareholders for nine months ended 30th September, 2001 was approximately Rmb2.6 million.

Market Expansion

Expansion of the regional office of the Group in the Shenzhen Special Economic Region of the PRC was completed in August. It started its full operation in September, and has become the business center of the Group in the consolidation and exploration of the market in south China. Prior to this, the Group has completed the expansion of the regional offices in Beijing and Shanghai in the first half year of 2001. Since then, subsequent to the Group's establishment of 27 regional offices in most of the major cities in the PRC, the Group has also completed the establishment of regional business centers in the three financially most developed cities in the PRC, which will be of significant help to the business development of the Group in future.

During the third quarter, the Group has entered into a tripartite strategic cooperation partnership agreement with BEA Systems Company ("BEA") and Oracle Software Systems Co., Ltd. ("ORACLE") for a term of one year, pursuant to which, the Group, BEA and ORACLE will jointly provide systematic and personalized application system solutions to the financial sector in the PRC. BEA is the world's leading e-Commerce infrastructure software company, and ORACLE has become the strategic cooperation partner of the Group since January 2001. The Directors consider that BEA as the middleware platform provider and ORACLE as data library and a CRM solution provider are highly synergistic with the target business of the Group. The tripartite collaboration will be very helpful to the Group in its full efforts in the development of the solution for the financial sector in the PRC based on ALLWEB.

During mid September of 2001, the Group participated in the China International Financial (Banking) Technology and Equipment Exhibition in Beijing, and drew the attention of the technology department of the People's Bank of China and the technology departments of the headquarter of various commercial banks.

Products and R&D

During the reported period, the Group continued to proceed with the product research based on ALLWEB. Research of certain products, such as the Bank Card Order Placement System and the ALLWEB Enterprise Securities Transaction System, have been completed and products have been launched onto the market, which have become the major products of the Group marketed in the third quarter. The Group is focussing on the product research based on the BKM ("Best Known Method") module by stages. During the reporting period, the ALLWEB Enterprise Securities Transaction System has been successfully upgraded from version 2.0 to 3.0, with its functions more satisfactory and pioneering, and it sees a steady growth in sales.

Outlook

Customers of the Group are confined to the financial sector in the PRC, therefore the Group has to cope with the special purchases policy of its customers. Although the third quarter profit of the Group has not been able to fully compensate the loss of the first half of the year, the fourth quarter being normally the quarter when the Group completes most of the orders.

Following the listing on the GEM in September 2001, the Group is actively seeking to research on new products based on ALLWEB, to enhance product quality, expand its market share, hence to improve the results of the Company. The Directors consider that the financial sector of the PRC has been increasing its IT investments in order to improve the standard of management and operation. For example, in the wake of the upgrading by commercial banks in the PRC of their core business system, significant improvements and renewals of their peripheral systems will inevitable follow, and the large-scaled restructuring of the securities firms in the PRC in 2001 will have to rely on upgrading their IT assets to achieve competitiveness, which have a substantial hearing on the Group's business. Therefore, the Group's business has a promising prospect.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2001, 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 30th September, 2001, 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 (<i>note 1</i>)
Ms. Li Kei Ling	Nil	414,000,000 (<i>note 1</i>)

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 30th September, 2001.

Save as disclosed above, at no time during the nine months ended 30th September, 2001 was the Company, or its subsidiaries a party to any arrangements to enable the directors of the Company, their 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 30th September, 2001 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 period from the Listing Date to 30th September, 2001.

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.

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.

As updated and notified by the Sponsor, as at 30th September, 2001 the Sponsor held 3,000,000 Shares (approximately 0.5% of the issued share capital) in the Company.

Saved as disclosed above, to the best knowledge of the Sponsor, neither the Sponsor nor its directors or employees or associates, as at 30th September, 2001, 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, 13th November, 2001

This announcement will remain on the "Latest Company Announcements" page on the GEM website for at least 7 days from the date of its publication.

** For identification purpose only*