



SING LEE SOFTWARE (GROUP) LIMITED

新利軟件(集團)股份有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8076)

Annual Results Announcement For the Year Ended 31 December 2004

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 announcement, 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 announcement.

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

* for identification purposes only

Results

The board of directors (the “Directors”) of Sing Lee Software (Group) Limited (the “Company”) is pleased to announce the audited combined results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2004 as follows:

	<i>Note</i>	2004 <i>RMB'000</i>	Group 2003 <i>RMB'000</i>
Revenue	3	40,303	37,848
Cost of sales		<u>(23,141)</u>	<u>(38,863)</u>
Gross (loss)/profit		17,162	(1,015)
Distribution costs		(6,779)	(14,963)
General and administrative expenses		(19,578)	(24,058)
Other operating income	4	<u>7,071</u>	<u>8,877</u>
Loss from operations		(2,124)	(31,159)
Finance costs	5	<u>(222)</u>	<u>(508)</u>
Loss before tax	6	(2,346)	(31,667)
Income tax expenses	7	<u>—</u>	<u>—</u>
Loss after tax		(2,346)	(31,667)
Minority interests		<u>—</u>	<u>—</u>
Loss attributable to shareholders		<u>(2,346)</u>	<u>(31,667)</u>
Dividends	8	<u>—</u>	<u>—</u>
Loss per share	9		
— Basic		<u>(RMB0.39 cents)</u>	<u>(RMB5.25 cents)</u>
— Diluted		<u>N/A</u>	<u>N/A</u>

Notes:

1 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 in Renminbi (“RMB”), the financial statements are prepared in RMB.

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.

2. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries.

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

3. REVENUE

	Group	
	2004	2003
	RMB’000	RMB’000
Sale of software	9,619	18,396
Sale of hardware	17,062	15,622
Revenue from maintenance services	<u>13,622</u>	<u>3,830</u>
	<u>40,303</u>	<u>37,848</u>

All sales were derived from the PRC.

4. OTHER OPERATING INCOME

	Group	
	2004	2003
	RMB’000	RMB’000
Income from opening source code after tax	—	6,650
Interest income from bank deposits	29	89
VAT refund	824	1,581
Enterprise income tax refund	277	—
Government subsidies	<u>5,941</u>	<u>530</u>
	<u>7,071</u>	<u>8,850</u>

5. FINANCE COSTS

	Group	
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans wholly repayable within 5 years	<u>222</u>	<u>305</u>

6. LOSS BEFORE TAX

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

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

7. INCOME TAX EXPENSE

	Group	
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
PRC enterprise income tax (c)	<u>—</u>	<u>—</u>

(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 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 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. Foreign investment enterprises are also exempted from income tax in years with financial loss.

The reconciliation of statutory tax rate to effective tax rate is as follows:

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

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

8. DIVIDENDS

During the year ended 31 December 2004, no dividend was declared and paid (2003: Nil).

Subsequent to 31 December 2004, the directors of the company do not recommend the payment of a final dividend.

9. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated net loss for the year attributable to shareholders of approximately RMB2,346,000 (2003: RMB31,667,000) divided by the weighted average number of ordinary shares outstanding during the year of 603,000,000 shares (2003: 603,000,000 shares). No diluted loss per share was presented as the exercise of share options would have an anti-dilutive effect during the year.

10. RESERVES

Movements of reserves were:

	2004					2003	
	Share premium RMB'000	Capital reserve RMB'000	Revenue reserve RMB'000	Cumulative translation adjustments RMB'000	Retained profits/ (Accumulated losses) RMB'000	Total RMB'000	Total RMB'000
Group							
Balance as at beginning of year	59,267	—	3,613	14	(28,697)	34,197	65,881
Translation adjustments	—	—	—	(1)	—	(1)	10
Utilisation for the year	—	—	—	—	—	—	(27)
Net loss for the year	—	—	—	—	(2,346)	(2,346)	(31,667)
Balance as at end of year	<u>59,267</u>	<u>—</u>	<u>3,613</u>	<u>13</u>	<u>(31,043)</u>	<u>31,850</u>	<u>34,197</u>
Company							
Balance as at beginning of year	59,267	4,718	—	—	(20,893)	43,092	65,292
Net loss for the year	—	—	—	—	(2,000)	(2,000)	(22,200)
Balance as at end of year	<u>59,267</u>	<u>4,718</u>	<u>—</u>	<u>—</u>	<u>(22,893)</u>	<u>41,092</u>	<u>43,092</u>

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 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. As of 31 December 2004, the reserve funds amounted to approximately RMB3,613,000 (2003: RMB3,613,000). Under IFRS, appropriations to the staff and workers' bonus and welfare fund have been included as expenses and the balance of the fund as a liability of the Group.

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

As at 31 December 2004, the Company's reserves available for distribution to shareholders amounted to approximately RMB41,092,000 (2003: RMB43,092,000), computed in accordance with the Companies Acts and the Company's articles of association. This includes the Company's share premium and capital reserve of approximately RMB59,267,000 and RMB4,718,000 (2003: RMB59,267,000 and RMB4,718,000) respectively, less accumulated losses of approximately RMB22,893,000 (2003: RMB20,893,000). The Company can only distribute its retained profits provided that immediately following the date on which the dividend is proposed, the Company will be able to pay off its debts as they fall due in the ordinary course of business.

BUSINESS REVIEW AND ANALYSIS

Results of this year was more satisfactory than that in the previous year. The Group's losses significantly reduced from over RMB3.1 million to RMB2.3 million this year. Improvement of the results was attributable to the initial effect of the Group's cost control, resulting in the significant reduction in various expenditures, and more importantly, was attributable to the efforts and dedication of the various levels of the management and the whole staff in the past year, enabling the Group to obtain initial success from its conversion, and the new products gradually bringing profits to the Group.

Banking Business

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

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

Securities Business

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

Education Business

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

FUTURE OUTLOOK

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

1. To maintain market share for its bank risk control products, in particular for bank headquarters and commercial banks within the top three in the PRC. We shall continue to establish an excellent team, enhance supplements of high caliber personnel, with education and upgrading to the existing team, and strengthen the closer collaboration with MYSIS and IPS-SENDERO in a scientific and effective manner.
2. Besides maintaining the existing advantages of the electronic payment platform, to further transform it to a POS provider professional team. After 2006, the various major banks will change from their cooperation with the providers of various domestic and overseas brands to be with excellent service providers, and by leveraging on the 12 years of foundation and industrial position, experience and brand-name, Singlee is determined to secure its position as the top three, and gradually rising to the top. The financial business department will rapidly set up a complete plan covering overall planning and gradual implementation. The Group will also provide its full supports, and treat it as a key job.
3. The Group's subsidiaries and functional departments must develop towards high calibre and professionalism. Its core team must comprise of high profile experts from the domestic and international pool with strong comprehensive capabilities. The Group must select the right candidate to pioneer its multi-fold growth.
4. To expand its business in the capital market step by step, so as to achieve increase or significant increase in the profits of its products, to strive to expand market shares, especially in the banking core business such as risk control and electronic payment platform, to rapidly grow stronger and establish its industrial position, setting down a really reliable foundation for the capital operations.

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

FINANCIAL REVIEW

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

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

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

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

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

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

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

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

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING RATIO

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

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

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

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

ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

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

SEGMENTAL INFORMATION

Saved as disclosed on note 13 of the notes to the financial statements, no segmental information is presented for the Group as the Group conducts its business within one geographical and business segment.

EMPLOYEE INFORMATION

As at 31 December 2004, the Group had 146 employees, including both the PRC and Hong Kong employees. Remuneration and bonus policy are basically determined by the performance of the individual employees and financial results of the Group. Total staff costs for the year amounted to RMB10,070 million.

The Group adopted a share option scheme, details of which were set out in the Report of the Directors.

CHARGE ON GROUP ASSETS

As at 31 December 2004, the Group did not have any charges on group assets.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING

Details of the Group's future plans for material investments or capital assets and their expected source of funding have been stated in the Company's prospectus dated 30 August 2001 under the sections headed "Statement of Business Objectives" and "Reasons for the New Issue and Use of Proceeds" respectively.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group's revenue generating operations are mainly transacted in RMB. The directors consider the impact of foreign exchange exposure to the Group is minimal.

CONTINGENT LIABILITIES

As at 31 December 2004, the Group did not have any material contingent liabilities (2003: nil).

PROSPECTS OF NEW PRODUCTS

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

FIVE YEARS FINANCIAL SUMMARY OF THE GROUP

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

MAJOR SUPPLIERS AND CUSTOMERS

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

Purchases

— the largest supplier	57%
— five largest suppliers combined	91%

Sales

— the largest customer	29%
— five largest customers combined	52%

None of the Directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers stated above.

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.

Board practices and procedures

Since the listing of the Company on GEM of the Stock Exchange, the Company has complied with Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2004, the Company has complied with the GEM Listing Rules 5.48 to 5.67 (where applicable) concerning the securities transactions by Directors. The Company has made specific enquiry if 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.

On behalf of the Board
Hung Yung Lai
Chairman

The Board comprises of:

Hung Yung Lai (*Executive Director*)

Cui Jian (*Executive Director*)

Xu Shu Yi (*Executive Director*)

Pao Ping Wing (*Independent Non-Executive Director*)

Tam Kwok Hing (*Independent Non-Executive Director*)

Lo King Man (*Independent Non-Executive Director*)

Hong Kong, 24 March 2005

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