



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)

**QUARTERLY REPORT
FOR THE THREE MONTHS ENDED
31 MARCH 2006**

** For identification purposes only*

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.

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This report, for which the directors of Sing Lee Software (Group) Limited 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 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.

The board of directors (“Board”) of Sing Lee Software (Group) Limited (the “Company”) announce the unaudited results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2006, together with the unaudited comparative figures for the corresponding periods in 2005, as follows:

UNAUDITED CONSOLIDATED INCOME STATEMENT

		Three months ended	
		31 March	
		2006	2005
	<i>Note</i>	Rmb'000	Rmb'000
Turnover	2	4,731	1,744
Cost of sales		<u>(3,255)</u>	<u>(2,897)</u>
Gross profit/(loss)		1,476	(1,153)
Distribution costs		(780)	(8,606)
General and administrative expenses		(2,600)	(4,629)
Other operating income	3	<u>276</u>	<u>523</u>
Profit/(loss) from operations		(1,628)	(13,865)
Finance costs		(247)	(81)
Share of profit of an associate		<u>—</u>	<u>—</u>
Profit/(loss) before tax		(1,875)	(13,946)
Taxation	4	<u>(146)</u>	<u>(15)</u>
Profit/(loss) after tax		(2,021)	(13,961)
Minority interests		<u>—</u>	<u>—</u>
Profit/(loss) attributable to shareholders		<u><u>(2,021)</u></u>	<u><u>(13,961)</u></u>
Profit/(loss) per share			
- Basic	5	<u><u>Rmb(0.34) cents</u></u>	<u><u>Rmb(2.32) cents</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital (unaudited) <i>Rmb'000</i>	Share premium (unaudited) <i>Rmb'000</i>	Capital reserve (unaudited) <i>Rmb'000</i>	Revenue reserve (unaudited) <i>Rmb'000</i>	Cumulative translation adjustment (unaudited) <i>Rmb'000</i>	Retained earnings/ (Accumulated losses) (unaudited) <i>Rmb'000</i>	Total (unaudited) <i>Rmb'000</i>
As at 1 January 2006	6,271	58,148	—	3,613	1,531	(68,264)	1,299
Translation adjustment	—	—	—	—	—	—	—
Loss for the period	—	—	—	—	—	(2,021)	(2,021)
As at 31 March 2006	<u>6,271</u>	<u>58,148</u>	<u>—</u>	<u>3,613</u>	<u>1,531</u>	<u>(70,285)</u>	<u>(722)</u>
As at 1 January 2005	6,392	59,267	—	3,613	13	(31,043)	38,242
Translation adjustment	—	—	—	—	—	—	—
Loss for the period	—	—	—	—	—	(13,961)	(13,961)
As at 31 March 2005	<u>6,392</u>	<u>59,267</u>	<u>—</u>	<u>3,613</u>	<u>13</u>	<u>(45,004)</u>	<u>24,281</u>

NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. Basis of preparation and principal accounting policies

The 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.

The Group principally operates in the People's Republic of China (the "PRC") and its business activities are principally transacted in Renminbi ("Rmb"), the results are prepared in Rmb.

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

The principal accounting policies and methods of computation adopted for the preparation of the financial statements are the same and consistent with those adopted by the Group in its audited annual financial statements for the year ended 31 December 2005.

2. Turnover

Turnover represents revenue from sale of computer software and hardware, and maintenance income. Turnover comprises the following:

	(Unaudited)	
	Three months ended	
	31 March	
	2006	2005
	Rmb'000	Rmb'000
Sales of software	4,386	814
Sales of hardware	234	568
Maintenance income	111	362
	<u>4,731</u>	<u>1,744</u>

3. Other operating income

	(Unaudited)	
	Three months ended	
	31 March	
	2006	2005
	Rmb'000	Rmb'000
Others	273	515
Interest income	3	8
	<u>276</u>	<u>523</u>

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 value added tax with applicable tax rate of 17% and are entitled to refund of value added tax paid exceeding 3% of the revenues. The value added tax refund of the Group has been accounted for as other operating income.

4. Taxation

	(Unaudited)	
	Three months ended	
	31 March	
	2006	2005
	<i>Rmb'000</i>	<i>Rmb'000</i>
Business tax (<i>Note a</i>)	<u>146</u>	<u>15</u>

Hong Kong profits tax has not been provided as the Group had no income assessable for profits tax in Hong Kong for the three months ended 31 March 2006 (three months ended 31 March 2005: Nil).

PRC enterprise income tax has not been provided as the Group had no estimated assessable profits for the three months ended 31 March 2006 (three months ended 31 March 2005: Nil).

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

Note:

(a) Tax paid in respect to business operation and interest income of PRC source.

5. Profit/(loss) per share

The calculation of the Group's basic loss per share for the three months ended 31 March 2006 is based on the Group's unaudited combined loss attributable to shareholders of approximately RMB2,021,000 (three months ended 31 March 2005: loss of approximately Rmb13,961,000) divided by the weighted average number of ordinary shares outstanding for three months ended 31 March 2006 of 603,000,000 shares (three months ended 31 March 2005: 603,000,000 shares) in issue respectively.

Diluted loss per share has not been presented as the exercise of share options would have an anti-dilutive effect during the three months ended 31 March 2006 and three months ended 31 March 2005.

6. Dividend

The Board does not recommend the payment of dividend for the three months ended 31 March 2006 (three months ended 31 March 2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW AND RESULTS OF OPERATIONS

Financial performance of the Group has some improvement for the first quarter. For the three months ended 31 March 2006, the Group recorded a total turnover of approximately Rmb4,731,000, representing an increase of 171% as compared to the same period of last year (for the three months ended 31 March 2005: Turnover amounted to approximately Rmb1,744,000).

Although the Group still recorded a loss of approximately Rmb2,021,000 for the first quarter, the loss has reduced significantly as compared to the same period of last year (for the three months ended 31 March 2005: loss attributable to shareholders amounted to approximately Rmb13,961,000). This loss decrease can be attributable to increase in turnover and the successful cost control over the past months.

We will continue trying our best to increase sales and strengthen our cost control. Due to business seasonal fluctuation and the fact that peak season of software purchase normally takes place in the second half of the year, it is expected that the results for the coming months will be further improved.

BUSINESS REVIEW

Banking Operations

Apart from the contracted “asset and liability management system” and “fund trade system” projects which are in the process of implementation, in the first quarter, the Group has conducted initial discussions with various banks with a view to further expanding its market share.

The purchasing of POS machines and POS-MIS systems by banks did not begin until the second quarter, which had an impact on the sales of the Group in the first quarter.

The promotion of the EagleEye information platform guarantee system in the Shanghai Pudong Development Bank has allowed the system to be extended from local applications to nationwide banking system applications of the head office.

Education Operations

The Company won the bid for the Zhejiang University Student Information Centre. This provided a breakthrough point and entry point for the Company to fully participate in the university’s digital campus project and become a core enterprise under Category One in the education software domain.

The integrated and general versions of the Singlee Bank-College Express Charging Administration System and other Bank-College Express products have been successfully developed and are extensively marketed to more universities, institutions of higher learning and large-scale key secondary schools and colleges for professional training nationwide.

FUTURE OUTLOOK

The purchasing of POS machines and POS-MIS systems by banks will soon start. The Group has actively participated in all biddings. The sales of POS machines will increase in the second quarter.

Initial cooperation intent has been reached with world-renowned mainstream product suppliers in respect of EagleEye monitoring products. On the basis of integrating their advantageous products, the parties will cooperate with each other in the aspects of sales, research and development and services in the monitoring guarantee domain.

The marketing focus for the second quarter will be on promoting Bank-College Express with a high degree of productization. The Company intends to further strengthen cooperation with banks to market the products to more college customers.

During the first quarter of 2006, the sales of the Group Company increased as compared with the same period last year, making a breakthrough in operation. The Group Company wishes to capture this opportunity and strives to penetrate the market extensively. While stepping up its sales and marketing efforts, it will also strengthen the efforts in implementing the cost saving plan.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 31 March 2006, 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.

Save as disclosed above, as at 31 March 2006, 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 March 2006, 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:

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

Shares in associated corporation:

Name of directors	Capacity/ Nature of interest	Number of ordinary shares held in Goldcorp Industrial Limited (<i>note 2</i>)		Percentage of shareholding
		Long position	Short position	
Mr. Hung Yung Lai	Personal interest	1	—	50.7%

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 March 2006 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 any 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 March 2006 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.

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 2006	Number of share options granted during the period	Number of share options exercised during the period	Number of share options cancelled during the period	Number of share options lapsed during the period	Number of share options outstanding as at 31 March 2006
Cui Jian	7 September 2002 to 7 April 2012	3,180,000	–	–	–	–	3,180,000
Continuous contract employees (other than directors)	7 September 2002 to 7 April 2012	7,650,000	–	–	(750,000)	–	6,900,000
		<u>10,830,000</u>	<u>–</u>	<u>–</u>	<u>(750,000)</u>	<u>–</u>	<u>10,080,000</u>

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.

Save as disclosed above, as at 31 March 2006, 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 to 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.

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

There was no purchase, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the three months ended 31 March 2006.

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 Group.

CORPORATE GOVERNANCE PRACTICES

During the three months ended 31 March 2006 the Company has complied with requirements set out in the Code on Corporate Governance Practices ("CG code") contained in Appendix 15 of the GEM Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31 March 2006, the Company has complied with the GEM Listing Rules 5.48 to 5.67 (where applicable) concerning the securities transactions by Director. 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.

AUDIT COMMITTEE

The Company has established an audit committee on 27 August 2001 with written terms of reference in compliance with the requirements of 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 members of the Group's audit committee are as follows:

Name	Position in the audit committee	Position in the Board of Directors
Mr. Pao Ping Wing	Chairman	Independent Non-Executive Director
Mr. Tam Kwok Hang	Member	Independent Non-Executive Director
Mr. Lo King Man	Member	Independent Non-Executive Director

The audit committee has reviewed and commented in the Company's quarter report for the three months ended 31 March 2006.

By Order of the Board
Hung Yung Lai
Chairman

Hong Kong, 12 May 2006