



SING LEE SOFTWARE (GROUP) LIMITED

新利軟件(集團)股份有限公司*

(Incorporated in the Bermuda with limited liability)

(Stock Code: 8076)

**INTERIM REPORT
FOR THE SIX MONTHS ENDED
30 JUNE 2014**

* *For identification purposes only*

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

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This report, for which the directors of Sing Lee Software (Group) Limited (the “Company”) (the “Directors”) 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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

RESULTS

The board of Directors (the “Board”) of Sing Lee Software (Group) Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2014, together with the unaudited comparative figures for the corresponding periods in 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenue	2	12,117	7,280	17,374	12,411
Cost of sales		<u>(4,126)</u>	<u>(2,085)</u>	<u>(8,860)</u>	<u>(7,247)</u>
Gross profit		7,991	5,195	8,514	5,164
Other income (expenses)	3	436	(112)	451	28
Other gains and losses		(412)	627	(856)	734
Distribution and selling expenses		(1,299)	(1,634)	(4,014)	(5,273)
Administrative expenses		(2,441)	(4,895)	(5,964)	(10,359)
Recovery on trade receivables		242	758	254	1,947
Research and development costs		(1,299)	(3,034)	(3,282)	(3,697)
Finance costs		<u>(257)</u>	<u>(237)</u>	<u>(541)</u>	<u>(459)</u>
Profit (loss) before tax		2,961	(3,332)	(5,438)	(11,915)
Income tax expense	4	<u>(295)</u>	<u>(20)</u>	<u>(295)</u>	<u>(20)</u>
Profit (loss) and total comprehensive income (expenses) for the period		<u>2,666</u>	<u>(3,352)</u>	<u>(5,733)</u>	<u>(11,935)</u>
Earnings (loss) per share					
– Basic (RMB cents)	5	<u>0.32</u>	<u>(0.41)</u>	<u>(0.68)</u>	<u>(1.47)</u>
– Diluted (RMB cents)	5	<u>0.30</u>	<u>(0.41)</u>	<u>(0.68)</u>	<u>(1.47)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

		As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current Assets			
Property, plant and equipment		2,655	3,031
Intangible assets		609	614
		3,264	3,645
Current Assets			
Inventories		542	459
Trade and other receivables	7	19,743	9,624
Loan receivable		-	-
Held for trading investments		723	769
Bank balances and cash		2,773	15,233
		23,781	26,085
Current Liabilities			
Trade and other payables	8	8,826	8,961
Amounts due to directors		1,500	903
Amount due to a shareholder		11	11
Tax payable		141	344
Borrowings	9	5,955	5,095
		16,433	15,314
Net Current Assets		7,348	10,771
Total Assets less current liabilities		10,612	14,416
Non-current Liabilities			
Borrowings	9	28,495	27,157
Net Liabilities		(17,883)	(12,741)
Capital and reserves			
Share capital		8,352	8,352
Reserves		(26,235)	(21,093)
Deficit on Shareholders' Equity		(17,883)	(12,741)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Share Capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Share option reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2014 (Audited)	8,352	155,143	3,613	5,217	30,102	(215,168)	(12,741)
Loss and total comprehensive expenses for the period	-	-	-	-	-	(5,733)	(5,733)
Lapse of share options	-	-	-	-	(328)	328	-
Recognition of equity-settled share based payments	-	-	-	-	591	-	591
	<u>8,352</u>	<u>155,143</u>	<u>3,613</u>	<u>5,217</u>	<u>30,365</u>	<u>(220,573)</u>	<u>(17,883)</u>
At 30 June 2014 (Unaudited)							
At 1 January 2013 (Audited)	8,132	151,770	3,613	5,217	38,882	(206,880)	734
Loss and total comprehensive expenses for the period	-	-	-	-	-	(11,935)	(11,935)
Recognition of equity-settled share based payments	-	-	-	-	1,560	-	1,560
	<u>8,132</u>	<u>151,770</u>	<u>3,613</u>	<u>5,217</u>	<u>40,442</u>	<u>(218,815)</u>	<u>(9,641)</u>
At 30 June 2013 (Unaudited)							

Under the Companies Act 1981 of Bermuda (“Companies Act”), share premium is 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 realizable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital account.

As stipulated by the relevant laws and regulations for foreign investment enterprises in the People’s Republic of China (the “PRC”), the Company’s PRC subsidiaries are required to maintain two statutory reserves, being an enterprise expansion fund and a statutory surplus reserve fund which are non-distributable. Appropriations to such reserves are made out of net profit after taxation reported in the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their respective Boards annually. The statutory surplus reserve fund can be used to make up their prior year losses, if any, and can be applied in conversion into capital by means of capitalization issue. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalization issue.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended	
	30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(14,718)	(9,208)
Net cash generated from investing activities	4	1,708
Net cash generated from (used in) financing activities	2,254	(4,638)
Net decrease in cash and cash equivalents	(12,460)	(12,138)
Cash and cash equivalents at beginning of the period	15,233	19,147
Cash and cash equivalents at the end of the period represented by: Bank balances and cash	<u>2,773</u>	<u>7,009</u>

Notes:

1. GENERAL

The unaudited consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the GEM Listing Rules and Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited consolidated interim 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 GEM.

The unaudited consolidated interim financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Group.

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 unaudited consolidated interim 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 2013.

2. REVENUE AND SEGMENT INFORMATION

The Group’s operations are organized based on the different types of products sold and service provided. Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance is also focused on types of goods or services delivered or provided.

2. REVENUE AND SEGMENT INFORMATION (Cont'd)

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the six months ended 30 June 2014

	Sale of software products <i>RMB'000</i> (Unaudited)	Sale of related hardware products <i>RMB'000</i> (Unaudited)	Provision of software- related technical support services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
External sales and total revenue – segment revenue	<u>2,409</u>	<u>1,126</u>	<u>13,839</u>	<u>17,374</u>
SEGMENT RESULTS	<u>(549)</u>	<u>(256)</u>	<u>(3,152)</u>	(3,957)
Unallocated other income				451
Unallocated other gains and losses				(856)
Unallocated corporate expenses				(535)
Finance costs				<u>(541)</u>
Loss before tax				<u>(5,438)</u>

2. REVENUE AND SEGMENT INFORMATION (Cont'd)

For the six months ended 30 June 2013

	Sale of software products <i>RMB'000</i> (Unaudited)	Sale of related hardware products <i>RMB'000</i> (Unaudited)	Provision of software- related technical support services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
External sales and total revenue – segment revenue	<u>1,057</u>	<u>239</u>	<u>11,115</u>	<u>12,411</u>
SEGMENT RESULTS	<u>(980)</u>	<u>(221)</u>	<u>(10,294)</u>	(11,495)
Unallocated other income				28
Unallocated other gains and losses				734
Unallocated corporate expenses				(723)
Finance costs				<u>(459)</u>
Loss before tax				<u>(11,915)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss from each segment without allocation of Directors' remuneration, finance costs, unallocated other income and other gains and losses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment. No segment information on assets and liabilities is presented as such information is not regularly reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

2. REVENUE AND SEGMENT INFORMATION (Cont'd)

Other Segment information

For the six months ended 30 June 2014

	Sale of software products <i>RMB'000</i> (Unaudited)	Sale of related hardware products <i>RMB'000</i> (Unaudited)	Provision of software- related technical support services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Amounts included in the measure of segment loss:				
Depreciation of property, plant and equipment	55	26	318	399
Amortization of intangible assets	1	-	4	5
Gain on disposal of property, plant and equipment	(1)	(1)	(8)	(10)
Recovery on trade receivables	(35)	(17)	(202)	(254)
Share-based payment expenses (excluding Directors)	<u>71</u>	<u>33</u>	<u>407</u>	<u>511</u>

For the six months ended 30 June 2013

	Sale of software products <i>RMB'000</i> (Unaudited)	Sale of related hardware products <i>RMB'000</i> (Unaudited)	Provision of software- related technical support services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Amounts included in the measure of segment loss:				
Depreciation of property, plant and equipment	55	12	572	639
Recovery on trade receivables	(166)	(38)	(1,743)	(1,947)
Share-based payment expenses (excluding Directors)	<u>116</u>	<u>26</u>	<u>1,217</u>	<u>1,359</u>

2. REVENUE AND SEGMENT INFORMATION (Cont'd)

Revenue from major products and services:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Software products		
POS-MIS V2.0	2,409	954
Sing Lee payment management system 1.0	—	103
	<u>2,409</u>	<u>1,057</u>
Hardware products		
Networking Controller Devices	826	—
Server	136	—
SP30	107	29
VX675	57	26
Nurit8010	—	19
Nurit8400	—	10
Others	—	155
	<u>1,126</u>	<u>239</u>
Provision of software-related technical support services		
Development	5,538	2,449
Maintenance	8,301	8,666
	<u>13,839</u>	<u>11,115</u>
	<u><u>17,374</u></u>	<u><u>12,411</u></u>

Geographical information

The Group's revenue from external customers is all from customers located in PRC.

All non-current assets of the Group are located in the PRC by location of assets.

3. OTHER INCOME (EXPENSES)

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	2	2	17	6
Others	434	(114)	434	22
	<u>436</u>	<u>(112)</u>	<u>451</u>	<u>28</u>

4. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
PRC enterprise income tax ("EIT")				
– Current year	140	20	140	20
– Underprovision in prior year	155	–	155	–
	<u>295</u>	<u>20</u>	<u>295</u>	<u>20</u>

Hangzhou Singlee Technology Company Limited ("Singlee Technology"), a subsidiary of the Company, was established in Hangzhou, PRC, with applicable tax rate of 25%. Singlee Technology is a High and New Technology Enterprise defined by Zhejiang Finance Bureau, Administrator of Local Taxation of Zhejiang municipality and Zhejiang Municipal office of the State Administration of Taxation and therefore is entitled to 15% preferential tax rate from PRC EIT starting from 2010. Accordingly, the tax rate for Singlee Technology is 15% for the six months ended 30 June 2014 and 2013.

According to the New PRC EIT law, the applicable tax rate of Hangzhou Singlee Software Company Limited, Singlee Software (Zhuhai) Company Limited, Beijing Singlee Yin Tong Information Technology Co., Ltd and Xin Yintong Technology Co., Ltd is 25% for the six months ended 30 June 2014 and 2013.

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits arising from Hong Kong during the six months ended 30 June 2014 and 2013.

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

7. TRADE AND OTHER RECEIVABLES

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Trade receivables	12,716	7,009
Other receivables	<u>7,027</u>	<u>2,615</u>
	<u>19,743</u>	<u>9,624</u>

The following is an aged analysis based on invoice date of trade receivables net of allowances at the end of the reporting period:

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
0 – 120 days	9,775	5,939
121 – 180 days	303	757
181 – 365 days	2,462	313
Over 366 days	<u>176</u>	<u>–</u>
	<u>12,716</u>	<u>7,009</u>

Customers are generally granted with credit period ranging from 120 – 180 days. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period upon customer's request.

8. TRADE AND OTHER PAYABLES

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Trade payables	4,523	3,002
Deposits received from customers	706	1,335
Payroll payables	1,448	1,237
Other payables and accrual	2,149	3,387
	<u>8,826</u>	<u>8,961</u>

The following is an aged analysis based on invoice date of trade payables at the end of the reporting period:

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Within 90 days	2,328	1,776
91 – 180 days	1,465	382
181 – 365 days	117	89
366 – 730 days	–	238
Over 731 days	613	517
	<u>4,523</u>	<u>3,002</u>

9. BORROWINGS

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Loan from a Director (<i>Note</i>)	<u>34,450</u>	<u>32,252</u>

The borrowings are repayable as follows:

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Within one year	5,955	5,095
Between one and two years	1,432	1,252
Between two and five years	4,327	4,007
More than five years	<u>22,736</u>	<u>21,898</u>
	34,450	32,252
<i>Less:</i> Amount due within one year shown under current liabilities	<u>(5,955)</u>	<u>(5,095)</u>
Amount due after one year	<u>28,495</u>	<u>27,157</u>

Note:

These loans represent unsecured loans from a director, Mr. Hung Yung Lai, who is also a shareholder with significant influence over the company. As at 30 June 2014, loans with the aggregate carrying amount of approximately RMB26,913,000 carried fixed interest at 3.25% per annum and repayable in equal monthly installments to July 2031, loan with the aggregate carrying amount of approximately RMB1,690,000 carried fixed interest at 3.25% per annum and repayable in equal monthly installments to December 2032, loans amount of RMB1,800,000 carried fixed interest at 3.5% per annum and repayable on demand, and loan amount of RMB1,097,000 is interest-free and repayable on demand.

9. BORROWINGS (Cont'd)

Note: (Cont'd)

During the six months ended 30 June 2014, the Group borrowed new loans of RMB1,750,000 from the director which are unsecured, interest bearing at 3.5% per annum and repayable on demand; loan amount of approximately RMB798,000 from the director which are unsecured, interest bearing at 3.5% per annum and repayable in equal monthly installments to April 2034; loan amount of approximately RMB402,000 from the director which are unsecured, interest bearing at 3.5% per annum and repayable in equal monthly installments to June 2034.

As at 30 June 2014, loans with the aggregate carrying amount of approximately RMB30,900,000 were denominated in HK\$ and loans with the aggregate carrying amount of approximately RMB3,550,000 were denominated in RMB.

10. RELATED PARTY TRANSACTIONS

The Group entered into the following related party transactions during the period:

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Rentals paid to Sing Lee Pharmaceutical Import & Export Co. Limited for lease of office premises	250	498

Sing Lee Pharmaceutical Import & Export Co. Limited is a limited company incorporated in Hong Kong, of which Mr. Hung Yung Lai has 50% equity interest with joint control in this entity.

The above related party transactions were carried out in the normal course of business.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review and results of operations

For the six months ended 30 June 2014, the Group recorded a total revenue of approximately RMB17,374,000, an increase of 40% as compared to the same period of last year (For the six months ended 30 June 2013: approximately RMB12,411,000). The increase in the turnover of the Group was mainly attributable to the increase in the revenue of the Group's provision of software-related technical development services. Cost of sales for the six months ended 30 June 2014 increased by 22% to approximately RMB8,860,000 (For the six months ended 30 June 2013: approximately RMB7,247,000). The Group's gross profit ratio increasing to 49% (For the six months ended 30 June 2013: 42%) was mainly due to our effective cost control measures in the current period.

Administrative expenses for the six months ended 30 June 2014 is decreased by 42% to approximately RMB5,964,000 (For the six months ended 30 June 2013: approximately RMB10,359,000). For the distribution and selling expenses, it is decreased by 23.8% to RMB4,014,000 (For the six months ended 30 June 2013: approximately RMB5,273,000). The decrease in administrative expenses and distribution and selling expenses were due to our effective cost control measures. Besides, research and development costs is approximately RMB3,282,000, not much movement when compared to the same period of last year. (For the six months ended 30 June 2013: approximately RMB3,697,000). Other income included refund of value added tax and interest income; and other gains and losses included exchange differences and fair value changes in investment fund.

Finance costs for the six months ended 30 June 2014 was approximately RMB541,000, not much movement when compared to the same period of last year. (For the six months ended 30 June 2013: approximately RMB459,000).

The Group recorded a loss of approximately RMB5,733,000 for the six months ended 30 June 2014, a decrease of 52% as compared to the same period of last year (For the six months ended 30 June 2013: net loss approximately RMB11,935,000). Increase in revenue and decrease in expenses are the main factors leading to the decrease in loss.

During the six months ended 30 June 2014, the Company recorded equity-settled share-based payment of approximately RMB591,000 (For the six months ended 30 June 2013: RMB1,560,000). The equity-settled share-based payment for the six months ended 30 June 2014 was allocated between the cost of sales, distribution and selling expenses and administrative expenses amounting to RMB86,000, RMB50,000 and RMB455,000 respectively.

We will continue striving our best to increase sales and strengthen our cost control measures. With the products of our Group becoming more mature in the market and the effective cost control, we expect that financial results of the group would be further improved in the coming quarter.

BUSINESS REVIEW

The overall operation of the Group for the first half year

The Group has turned around in the second quarter of the year since its overall operation during the first half of the year outperformed the expectations at the beginning of the year, resulting in a decrease of nearly 52% in losses as compared to the corresponding period of last year. The Group has outstripped the targets set for its traditional products such as RUNPOS, capital and risk control products as well as Bank-School Express. A year-on-year increase of 20% was realised in respect of the above products.

Bank Insolvency Act (銀行破產法) is to be promulgated soon, and banks have dramatically strengthened control over the risks exposed to them and the awareness of crisis. The Group has transferred part of its treasury products to the liquidity-dedicated risk control market at the end of last year with the support from middle and small sized banks. With the continued expansion of our banking service outsourcing offerings (with over 100,000 service outsourcers of Industrial and Commercial Bank of China, Zhejiang Branch), the Group has successfully expanded its outsource service from Zhejiang Province into the Construction Bank of China, Liaoning Branch during the first half of the year. This will be one of the significant foundations for the massive data of the Group. Besides, great efforts will be made to promote the “Bank-Hospital Express” and “Bank-School Express” businesses.

Mobile payment business will remain our important online business. A gradual combination of massive data business and online payment business to be completed by the Group will form an O2O (OFFLINE TO ONLINE) pattern highlighted with Sing Lee features.

FUTURE OUTLOOK

Expenses of the Group decreased in this quarter when compared to the previous quarter. However, the Group will continue to strictly control costs in aspects of human resources, research and development as well as technology innovation investment while strengthening various risk controls, so as to achieve sound balance between increasing inflow and decreasing outflow.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING RATIO

As at 30 June 2014, the Group's loan from a shareholder amounted to approximately RMB 34,450,000 (31 December 2013: RMB32,252,000), which bear interest at 3.28% per annum in average.

No interest was capitalized by the Group during the period under review (31 December 2013: Nil).

As at 30 June 2014, the Group held cash and cash equivalents denominated in RMB, US dollars and HK dollars, amounted to approximately RMB2,773,000 (31 December 2013: RMB15,233,000).

The gearing ratio of the Group, based on total liabilities over total assets, as at 30 June 2014, was approximately 166% (31 December 2013: 143%).

ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The group did not have any material acquisitions or disposals of subsidiaries and affiliated companies, or significant investments during the period under review.

EMPLOYEE INFORMATION

As at 30 June 2014, the Group had 235 employees, including both PRC and Hong Kong employees. Remuneration and bonus policy are primarily determined by the performance of the individual employees and financial results of the Group. Total staff costs for the reported period were approximately RMB10,677,000 (30 June 2013: approximately RMB11,780,000).

The Group has adopted a share option scheme whereby certain employees of the Group granted options to acquire shares.

CHARGE ON GROUP ASSETS

As at 30 June 2014, 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 30 June 2014, the Group did not have any material contingent liabilities (31 December 2013: Nil).

PROSPECTS OF NEW PRODUCTS

Please refer to the Business Review in the section of Management Discussion and analysis for a discussion on this.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as is known to any directors or chief executives of the Company, as at 30 June 2014, 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 follow:

a) Ordinary shares of HK\$0.01 each of the Company

Name of shareholders	Capacity/ Nature of interest	Number of shares held		Percentage of shareholding
		Long position	Short position	
Goldcorp Industrial Limited	Beneficial owner	287,855,000 <i>(note 1)</i>	-	34.28%
Great Song Enterprises Limited	Beneficial owner	287,855,000 <i>(note 1)</i>	-	34.28%
Mr. Hung Yung Lai	Corporate interest	287,855,000 <i>(notes 2 and 4)</i>	-	34.28%
	Beneficial owner	16,025,000	-	1.91%
Ms. Li Kei Ling	Corporate interest	287,855,000 <i>(notes 2 and 3)</i>	-	34.28%
Mdm. Iu Pun	Family interest	368,880,000 <i>(note 5)</i>	-	43.93%

b) Share options

Name of shareholder	Capacity/ Nature of interest	Number of options held	Number of underlying shares
Mr. Hung Yung Lai	Beneficial owner	65,000,000	65,000,000

Notes:

1. Goldcorp Industrial Limited is a limited liability 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 287,855,000 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 287,855,000 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 287,855,000 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. She is also deemed to be interested in the 65,000,000 share options and the 16,025,000 shares beneficially owned by Mr. Hung Yung Lai for the purpose of SFO.

Save as disclosed above, as at 30 June 2014, 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 AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, 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 5.48 to 5.67 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	287,855,000 <i>(note 1)</i>	–	34.28%
	Beneficial owner	16,025,000	–	1.91%
Mr. Hung Ying	Beneficial owner	4,040,000	–	0.48%

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	Beneficial owner	1	–	50%

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 30 June 2014 composed of 2 ordinary shares.

Save as disclosed above, as at 30 June 2014, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of 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 provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted on 27 August 2001 for the primary purpose of providing incentives to directors and eligible employees, and has been expired on 27 August 2011. Under the Scheme, the Board may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The Scheme would be valid and effective for a period of ten years commencing on the adoption date and have come to its expiration. All other respects of the provisions of the Scheme shall remain in full force and holders of all options granted under the Scheme prior to such expiry shall be entitled to exercise the outstanding options pursuant to the terms of the Scheme until expiry of the said options. As a result, a new share option scheme which was approved on 28 February 2011 (the "New Scheme"), take effect immediately after the expiry of the existing Scheme. The principal terms of the New Scheme are similar with the Scheme.

Pursuant to the ordinary resolution passed by the shareholders at the special general meeting of the Company held on 28 February 2011 (the "SGM"), the Scheme mandate limit was refreshed so that the Company was authorized to grant share options under the existing Scheme for subscription of up to a total of 81,184,000 shares, representing approximately 10% of the issued share capital of the Company as at the date of the SGM.

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 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 9 October 2007 the Company granted 47,550,000 options to subscribe for shares in the Company under the Scheme at an exercise price of HK\$0.368 per share to its employees of the Group. Shares of the Company were at closing price of HK\$0.36 immediately before the day on which options were granted.

On 19 January 2010 the Company granted 20,900,000 options to subscribe for shares in the Company under the Scheme at an exercise price of HK\$0.20 per share to its directors and employees of the Group. Shares of the Company were at closing price of HK\$0.20 immediately before the day on which options were granted.

On 16 August 2010 the Company granted 8,990,000 options to subscribe for shares in the Company under the Scheme at an exercise price of HK\$0.84 per share to its employees of the Group. Shares of the Company were at closing price of HK\$0.84 immediately before the day on which options were granted.

On 10 January 2011, the Company granted 65,000,000 share options to subscribe for shares in the company under the Share Option Scheme at an exercise price of HK\$0.730 per share to Mr. Hung Yung Lai, Chairman of the Group. Shares of the Company were at closing price of HK\$0.730 immediately before the day on which options were granted. The grant of share options to Mr. Hung Yung Lai and the specific mandate to allot, issue and deal with the shares of the Company upon conversion of the foregoing share options were approved by the SGM held on 28 February 2011.

On 13 January 2011, the Company granted 19,260,000 share options to subscribe for shares in the Company under the Share Option Scheme at an exercise price of HK\$0.714 per share to its employees of the Group. Shares of the Company were at closing price of HK\$0.690 immediately before the day on which options were granted. The grant of share options to its employees of the Company and the specific mandate to allot, issue and deal with the shares of the Company upon conversion of the foregoing share options were approved by the SGM held on 28 February 2011.

On 24 June 2013, the Company granted 59,780,000 share options to subscribe for shares in the Company under the Share Option Scheme at an exercise price of HK\$0.1122 per share to a Director and its employees of the Group. Shares of the Company were at closing price of HK\$0.101 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	Number of	Number of	Number of	Number of	Number of
		share options outstanding as at 1 January 2014	share options granted during the period	share options exercised during the period	share options cancelled during the period	share options lapsed during the period	share options outstanding as at 30 June 2014
Continuous contract employees (other than directors)	9 April 2008 to 8 October 2017	18,850,000	-	-	-	-	18,850,000
Pao Ping Wing	19 July 2010 to 18 January 2020	600,000	-	-	-	-	600,000
Tam Kwok Hing	19 July 2010 to 18 January 2020	600,000	-	-	-	-	600,000
Lo King Man	19 July 2010 to 18 January 2020	600,000	-	-	-	-	600,000
Hung Ying	19 July 2010 to 18 January 2020	2,500,000	-	-	-	-	2,500,000
Continuous contract employees (other than directors)	19 July 2010 to 18 January 2020	9,280,000	-	-	-	(610,000)	8,670,000
Hung Ying	16 February 2011 to 15 August 2020	1,550,000	-	-	-	-	1,550,000
Continuous contract employees (other than directors)	16 February 2011 to 15 August 2020	1,740,000	-	-	-	(310,000)	1,430,000
Hung Yung Lai	28 February 2011 to 9 January 2021	65,000,000	-	-	-	-	65,000,000
Continuous contract employees (other than directors)	28 February 2011 to 12 January 2021	13,760,000	-	-	-	(490,000)	13,270,000
Hung Ying	24 June 2013 to 23 June 2023	4,040,000	-	-	-	-	4,040,000
Continuous contract employees (other than directors)	24 June 2013 to 23 June 2023	26,850,000	-	-	-	-	26,850,000
		<u>145,370,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,410,000)</u>	<u>143,960,000</u>

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, management shareholders or substantial shareholders of the Company or any of their respective associates, as defined in GEM Listing Rules, has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict or interests with the Group during the six months ended 30 June 2014.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2014, except for the following deviation:

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Subsequent to the resignation of Mr. Chan Kam Fai, no replacement of the post of the chief executive officer has been fixed as at 30 June 2014. The Board will keep reviewing the current structure from time to time. If candidate with suitable knowledge, skills and experience is identified, the Company will make appointment to fill the post of chief executive officer as appropriate.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions during the six months ended 30 June 2014 as set out in GEM Listing Rules 5.48 to 5.67. 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.

Specific employees who are likely to be possession of unpublished price-sensitive information of the Group are also subject to compliance with the same Code of Conduct. No incident of non-compliance was noted by the Company for the six months ended 30 June 2014.

REMUNERATION COMMITTEE

The Company established a remuneration committee in November 2005. The primary duties of the remuneration committee are to review and make recommendation for the remuneration policy of the directors and senior management. The chairman of the remuneration committee is Mr. Pao Ping Wing and other members include Mr. Hung Yung Lai, Mr. Tam Kwok Hing and Mr. Lo King Man.

NOMINATION COMMITTEE

The Company established a nomination committee in March 2012. The principal duties of the nomination committee are to formulate nomination policy and make recommendation to the Board on nomination and appointment of the directors and board succession; formulate and review the Board Diversity Policy. The chairman of the nomination committee is Mr. Hung Yung Lai and other members include Mr. Pao Ping Wing, Mr. Tam Kwok Hing and Mr. Lo King Man.

AUDIT COMMITTEE

The Company established an audit committee on 27 August 2001 with written terms of reference in compliance with 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 system of the Group. The chairman of the audit committee is Mr. Pao Ping Wing and other members include Mr. Tam Kwok Hing and Mr. Lo King Man, all of them are independent non-executive directors.

The Group's unaudited results for the six months ended 30 June 2014 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

By Order of the Board
Sing Lee Software (Group) Limited
Hung Yung Lai
Chairman

The Board comprises of:

Hung Yung Lai (*Executive Director*)

Cui Jian (*Executive Director*)

Hung Ying (*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, 12 August 2014