



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 2012**

* *For identification purposes only*

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached other than companies listed on the Exchange. 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.

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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 (“Board”) of Sing Lee Software (Group) Limited (the “Company”) is pleased to announce the unaudited combined results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012, together with the unaudited comparative figures for the corresponding periods in 2011, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Renminbi)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Revenue	2	12,803	6,830	16,738	9,499
Cost of sales		(3,360)	(5,014)	(7,517)	(9,839)
Gross profit (loss)		9,443	1,816	9,221	(340)
Other income	3	1,500	1,212	1,701	2,474
Other (loss) gain		(114)	4,135	(11)	14,688
Distribution and selling expenses		(2,393)	(1,934)	(5,346)	(3,666)
Administrative expenses		(6,363)	(8,414)	(11,760)	(28,401)
Reversal of impairment of trade receivables		472	18	1,592	85
Research and development costs		(879)	(426)	(1,798)	(1,211)
Finance costs		(609)	(53)	(1,170)	(54)
Profit (loss) before taxation		1,057	(3,646)	(7,571)	(16,425)
Income tax expense	4	(21)	–	(21)	–
Profit (loss) and total comprehensive income (expenses) for the period		<u>1,036</u>	<u>(3,646)</u>	<u>(7,592)</u>	<u>(16,425)</u>
Earning (loss) per share					
– Basic (RMB cents)	5	<u>0.13</u>	<u>(0.45)</u>	<u>(0.94)</u>	<u>(2.02)</u>
– Diluted (RMB cents)	5	<u>0.13</u>	<u>(1.15)</u>	<u>(0.94)</u>	<u>(3.98)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

	Notes	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment		4,965	4,957
Intangible assets		—	—
		<u>4,965</u>	<u>4,957</u>
Current Assets			
Inventories		417	440
Trade and other receivables	7	21,134	8,371
Loan receivable		1,641	2,040
Held for trading investments		2,243	2,242
Pledged bank deposits		50,000	50,000
Bank balances and cash		3,138	22,085
		<u>78,573</u>	<u>85,178</u>
Current Liabilities			
Trade and other payables	8	10,174	10,157
Amount due to directors		491	625
Amount due to a shareholder		11	11
Borrowings	9	44,454	44,317
Derivative financial liability	10	—	—
		<u>55,130</u>	<u>55,110</u>
Net Current Assets		<u>23,443</u>	<u>30,068</u>
Total Assets less Current Liabilities		<u>28,408</u>	<u>35,025</u>
Non-current Liabilities			
Borrowings		24,528	24,729
		<u>24,528</u>	<u>24,729</u>
Net Assets		<u><u>3,880</u></u>	<u><u>10,296</u></u>
Capital and reserves			
Share capital		8,132	8,132
Reserves		(4,252)	2,164
		<u>3,880</u>	<u>2,164</u>
Total equity		<u><u>3,880</u></u>	<u><u>10,296</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in Renminbi)

	Share Capital (Unaudited) <i>RMB'000</i>	Share premium (Unaudited) <i>RMB'000</i>	Statutory reserve (Unaudited) <i>RMB'000</i>	Translation reserve (Unaudited) <i>RMB'000</i>	Share option reserve (Unaudited) <i>RMB'000</i>	Accumulated losses (Unaudited) <i>RMB'000</i>	Total (Unaudited) <i>RMB'000</i>
As at 1 January 2012	<u>8,132</u>	<u>151,770</u>	<u>3,613</u>	<u>5,217</u>	<u>37,110</u>	<u>(195,546)</u>	<u>10,296</u>
Loss and total comprehensive expenses for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,592)</u>	<u>(7,592)</u>
Recognition of equity-settled share based payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,176</u>	<u>-</u>	<u>1,176</u>
At 30 June 2012	<u>8,132</u>	<u>151,770</u>	<u>3,613</u>	<u>5,217</u>	<u>38,286</u>	<u>(203,138)</u>	<u>3,880</u>
At 1 January 2011	<u>8,132</u>	<u>151,770</u>	<u>3,613</u>	<u>5,217</u>	<u>11,416</u>	<u>(158,063)</u>	<u>22,085</u>
Loss and total comprehensive expenses for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,425)</u>	<u>(16,425)</u>
Recognition of equity-settled share based payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,660</u>	<u>-</u>	<u>20,660</u>
At 30 June 2011	<u>8,132</u>	<u>151,770</u>	<u>3,613</u>	<u>5,217</u>	<u>32,076</u>	<u>(174,488)</u>	<u>26,320</u>

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 of directors 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 FLOW

(Expressed in Renminbi)

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(17,471)	(5,482)
Net cash used in investing activities	(108)	(961)
Net cash used in financing activities	(1,368)	(1)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(18,947)	(6,444)
Cash and cash equivalents at beginning of period	22,085	35,926
	<hr/>	<hr/>
Cash and cash equivalents at end of period represented by:		
Bank balances and cash	<u>3,138</u>	<u>29,482</u>

Notes:

1. GENERAL

The Group's unaudited condensed 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 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 condensed consolidated interim financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries.

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 condensed 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 2011.

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 Board of 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 2012

	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>718</u>	<u>694</u>	<u>15,326</u>	<u>16,738</u>
SEGMENT RESULTS	<u>(297)</u>	<u>(288)</u>	<u>(6,351)</u>	(6,936)
Unallocated other income				1,701
Unallocated other loss				(11)
Unallocated corporate expenses				(1,155)
Finance costs				<u>(1,170)</u>
Loss before tax				<u>(7,571)</u>

2. REVENUE AND SEGMENT INFORMATION (Cont'd)

For the six months ended 30 June 2011

	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>320</u>	<u>447</u>	<u>8,732</u>	<u>9,499</u>
SEGMENT RESULTS	<u>(1,122)</u>	<u>(1,570)</u>	<u>(30,652)</u>	<u>(33,344)</u>
Unallocated other income				2,474
Unallocated other gains				14,688
Unallocated corporate expenses				(189)
Finance costs				<u>(54)</u>
Loss before tax				<u>(16,425)</u>

The accounting policies of the operating segments are the same as the Groups accounting policies. Segment loss represents the loss from each segment without allocation of directors' remuneration, finance costs, unallocated other income and other gains. 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 2012

	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	7	7	148	162
Reverse of impairment loss recognised on inventories	-	(389)	-	(389)
Share-based payment expenses	<u>50</u>	<u>49</u>	<u>1,077</u>	<u>1,176</u>

For the six months ended 30 June 2011

	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	9	12	244	265
Reverse of impairment loss recognised on inventories	-	(1,596)	-	(1,596)
Share-based payment expenses	<u>695</u>	<u>973</u>	<u>18,992</u>	<u>20,660</u>

2. REVENUE AND SEGMENT INFORMATION (Cont'd)

Revenue from major products and services:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Software products		
POS-MIS V2.0	671	290
Sing Lee payment management system 1.0	47	30
	<u>718</u>	<u>320</u>
Hardware products		
Vefifone5150 + PP1000	329	406
Others	365	41
	<u>694</u>	<u>447</u>
Provision of software-related technical support services		
Development	11,329	3,435
Maintenance	3,997	5,297
	<u>15,326</u>	<u>8,732</u>
	<u>16,738</u>	<u>9,499</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

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Reverse of impairment loss recognised on inventories	1,086	1,101	1,086	1,596
Interest income	2	14	15	28
Others	412	97	600	850
	<u>1,500</u>	<u>1,212</u>	<u>1,701</u>	<u>2,474</u>

4. INCOME TAX EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Business tax (<i>Note a</i>)	<u>21</u>	<u>-</u>	<u>21</u>	<u>-</u>

Hangzhou Singlee Technology Company Limited ("Singlee Technology"), a subsidiary of the Company, was established in Hangzhou, PRC, with applicable tax rate of 25%. In 2010, 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 Enterprise Income Tax for three years starting from 2010. Accordingly, the tax rate for Singlee Technology is 15% for the six months ended 30 June 2012 and 2011.

According to the PRC Enterprise Income Tax 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 2012 and 2011.

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 2012 and 2011.

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. EARNING (LOSS) PER SHARE

The calculation of the basic and diluted earning (loss) per share attributable to the owners of the Company is based on the following data:

	Three months ended		Six months ended	
	30 June		30 June	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit (loss)				
Profit (loss) for the purpose of basic earning (loss) per share (profit (loss) for the period attributable to owners of the Company)	1,036	(3,646)	(7,592)	(16,425)
Effect of dilutive warrant subscription rights:				
– Fair value gain on warrant subscription rights	<u>–</u>	<u>(5,659)</u>	<u>–</u>	<u>(16,227)</u>
Profit (loss) for the purpose of diluted loss per share	<u>1,036</u>	<u>(9,305)</u>	<u>(7,592)</u>	<u>(32,652)</u>

5. EARNING (LOSS) PER SHARE (Cont'd)

Three months ended		Six months ended	
30 June		30 June	
2012	2011	2012	2011
'000	'000	'000	'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Number of shares

Weighted average number
of ordinary shares for the
purpose of basic earning
(loss) per share

811,840	811,840	811,840	811,840
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Effect of dilutive potential
ordinary shares
– Warrant subscription rights

-	81	-	8,556
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Weighted average number
of ordinary shares for the
purpose of diluted earning
(loss) per share

811,840	811,921	811,840	820,396
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6. DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

7. TRADE AND OTHER RECEIVABLES

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Trade receivables	16,980	5,341
Other receivables	4,154	3,030
	<u>21,134</u>	<u>8,371</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 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
0 – 120 days	11,779	4,171
121 – 180 days	3,313	141
181 – 360 days	918	1,029
Over 360 days	970	–
	<u>16,980</u>	<u>5,341</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 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Trade payables	5,473	5,648
Deposits received from customers	286	806
Payroll payables	1,414	1,223
Other payables	3,001	2,480
	<u>10,174</u>	<u>10,157</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 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Within 90 days	361	2,698
91 – 180 days	733	431
181 – 365 days	1,860	–
366 – 730 days	–	1,676
Over 731 days	2,519	843
	<u>5,473</u>	<u>5,648</u>

9. BORROWINGS

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Secured bank loan (<i>Note a</i>)	43,477	43,244
Loan from a director (<i>Note b</i>)	25,505	25,802
	68,982	69,046

The secured borrowings are repayable as follows:

	As at 30 June 2012 '000 (Unaudited)	As at 31 December 2011 '000 (Audited)
Within one year	44,454	44,317
Between one and two years	1,002	988
Between two and five years	3,205	3,162
More than five years	20,321	20,579
	68,982	69,046
<i>Less:</i> Amount due within one year shown under current liabilities	(44,454)	(44,317)
Amount due after one year	24,528	24,729

Notes:

- (a) At 30 June 2012, the secured bank loan was denominated in HK\$ and carried interest rate of Hong Kong Interbank Offer rate plus 3.3% per annum and will be repayable on 9 August 2012. The loan was secured by the pledged bank deposit of the Group.
- (b) The loan is advanced from Mr. Hung Yung Lai, which carried fixed interest rate of 3.3% per annum and will be repayable in equal month instalments to July 2031.

At 30 June 2012, all the borrowings were denominated in HK\$.

10. DERIVATIVE FINANCIAL LIABILITY

Derivative financial liability – warrant subscription rights

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Balance at beginning of period	–	27,763
Gain on fair value changes	–	(27,763)
	<u>–</u>	<u>–</u>
Balance at end of period	<u>–</u>	<u>–</u>

The following table discloses the movement of the warrants during the period:

	As at 30 June 2012 '000 (Unaudited)	As at 31 December 2011 '000 (Audited)
Outstanding at beginning of period	143,000	143,000
Expired during the period	(143,000)	–
	<u>–</u>	<u>–</u>
Outstanding at end of period	<u>–</u>	<u>143,000</u>

11. RELATED PARTY TRANSACTIONS

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

	Three months ended 30 June		Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Rentals paid to Sing Lee Pharmaceutical Import & Export Co. Limited for lease of office premises	<u>128</u>	<u>132</u>	<u>256</u>	<u>264</u>

Notes:

Sing Lee Pharmaceutical Import & Export Co. Limited is a limited company incorporated in Hong Kong. Mr. Hung Yung Lai has 50% interest in this Company and he is also a director of this Company. Mr. Hung is the executive director of the Group.

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 2012, the Group recorded a total revenue of approximately RMB16,738,000, an increase of 76% as compared to the same period of last year (For the six months ended 30 June 2011: approximately RMB9,499,000).

The Group recorded a loss of approximately RMB7,592,000 for the first two quarters of 2012, a decrease in loss as compared to the same period of last year (for the six months ended 30 June 2011: net loss of approximately RMB16,425,000). Increase in turnover and decrease in equity-settled share-based payment are of the factors leading to the decrease in loss.

During the six months ended 30 June 2012, the Company recorded equity-settled share-based payment and fair value gain on derivative financial liability of approximately RMB1,176,000 (For the six months ended 30 June 2011: RMB20,660,000) and RMB Nil (For the six months ended 30 June 2011: RMB16,227,000) respectively. The equity-settled share-based payment was allocated between the cost of sales, distribution and selling expenses and administrative expenses amounting to RMB197,000, RMB60,000 and RMB919,000 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

“Mobile Payment” Business of Mobile E-Payment

In relation to the Group’s RUNPOS second-generation products, the “Bank-Hospital Express”(銀醫通), and the third-generation products, the “Bank-School Express”(銀校通), in line with the market principles that integrate both online and offline operations, better results were achieved in terms of operating revenue, customer growth and market share during this quarter. A broader prospect was created for the room of development of the mobile payment business. Promising progress was also attained for the establishment of a newly-built large innovation platform in respect of the one-stop online and offline operations of the Group’s “Bank-School Express”(銀校通). This

will help speed up the transfer of real-name system offline users to online users. All these efforts represented the important measures taken by the Group to ensure the growth in the number of users for its mobile payment business in the industry market sub-sectors. For the upgrade of the “Bank-Hospital Express”(銀醫通) from the second-generation offline program to the third-generation overall program, we have entered a stage where concrete strategic discussions and project designs have been made.

FUTURE OUTLOOK

As for the Group’s strategic project relating to mobile payment, there was a fall in costs relating to human resources, research and development and technological innovation as well as market development during this quarter. There was also a substantial growth in the Group’s contract sum during the second quarter of this year when compared to same period last year, and hence there was a slight profit for the Group during this quarter. This proves that the Group’s strategy to seamlessly integrate its online and offline payment operations is correct. As such, while upholding prudent measures for strengthening risk assessment and risk control, the Group will step up endeavours on human resources, research and development, technological innovation and market development, in order to ensure that we can fulfill this year’s goal.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING RATIO

As at 30 June 2012, the Group’s bank loans amounted to approximately RMB43,477,000 (31 December 2011: RMB43,244,000) which bear interest at rate of Hong Kong Dollar Inter Bank Offered Rate plus 3.3% per annum and loan from a shareholder of approximately RMB25,505,000 (31 December 2011: RMB25,802,000), which bear interest at 3.3% per annum.

No interest was capitalized by the Group during the period under review (31 December 2011: Nil).

As at 30 June 2012, the Group held cash and cash equivalents denominated in RMB, US dollars and HK dollars, ,amounted to approximately RMB3,138,000 (31 December 2011: RMB22,085,000).

The gearing ratio of the Group, based on total liabilities over total assets, as at 30 June 2012, was approximately 95% (31 December 2011: 89%).

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 2012, the Group had 245 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 RMB12,078,000 (30 June 2011: approximately RMB8,284,000).

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 2012, the Group has pledged the bank deposit of RMB50 million to secure for the bank borrowing.

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".

EXPOSURE TO EXCHANGE RATE FLUCTUATION

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

CONTINGENT LIABILITIES

As at 30 June 2012, the Group did not have any material contingent liabilities (31 December 2011: 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' INTEREST IN SECURITIES

As at 30 June 2012, 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:

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

Name of shareholder	Capacity/ Nature of interest	Number of shares held		Percentage of shareholding
		Long position	Short position	
Goldcorp Industrial Limited	Beneficial interest	287,855,000 <i>(note 1)</i>	–	35.46%
Great Song Enterprises Limited	Corporate interest	287,855,000 <i>(notes 1 and 2)</i>	–	35.46%
Mr. Hung Yung Lai	Corporate interest	287,855,000 <i>(notes 2 and 4)</i>	–	35.46%
	Beneficial owner	8,030,000	–	0.99%
Ms. Li Kei Ling	Corporate interest	287,855,000 <i>(notes 2 and 3)</i>	–	35.46%
Mdm. Iu Pun	Family interest	360,885,000 <i>(note 5)</i>	–	44.45%
UBS AG	Interest of a controlled corporation	45,000,000 <i>(note 6)</i>	–	5.54%

(b) Share options

Name of shareholders	Capacity/ Nature of interest	Number of options held	Number of underlying shares
Mr. Hung Yung Lai	Beneficial interest	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 8,030,000 shares beneficially owned by Mr. Hung Yung Lai as mentioned in Note 4 above for the purpose of SFO.
6. According to the disclosure of interests form submitted by UBS AG on 22 October 2010 (the date of relevant event being 20 October 2010), these shares were held through a subsidiary of UBS AG. The 45,000,000 shares (long position) were held in the capacity of having interest of a controlled corporation.

Save as disclosed above, as at 30 June 2011, 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 30 June 2012, 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	287,855,000 <i>(note 1)</i>	-	35.46%
	Beneficial owner	8,030,000	-	0.99%

Shares in associated corporation:

Name of directors	Capacity/ Nature of interest	Number of ordinary shares held in Goldcorp Industrial Limited (note 2)		Percentage of shareholding
		Long position	Short position	
Mr. Hung Yung Lai	Personal interest	1	-	35.46%

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 2012 composed of 2 ordinary shares. Goldcorp Industrial Limited held 287,855,000 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 and will soon come to its expiration. As a result, a new share option scheme which is approved on 28 February 2011, take effect immediately after the expiry of the existing 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 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 of 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.

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.

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 2012	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 2012
Cui Jian	7 September 2002 to 7 April 2012	3,180,000	-	-	-	(3,180,000)	-
Qiu Lei	9 April 2008 to 8 October 2017	6,000,000	-	-	-	-	6,000,000
Continuous contract employees (other than directors)	9 April 2008 to 8 October 2017	21,020,000	-	-	-	(300,000)	20,720,000
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
Qiu Lei	19 July 2010 to 18 January 2020	500,000	-	-	-	-	500,000
Continuous contract employees (other than directors)	19 July 2010 to 18 January 2020	14,530,000	-	-	-	(1,300,000)	13,230,000
Hung Ying	16 February 2011 to 15 August 2020	1,550,000	-	-	-	-	1,550,000
Qiu Lei	16 February 2011 to 15 August 2020	310,000	-	-	-	-	310,000
Continuous contract employees (other than directors)	16 February 2011 to 15 August 2020	6,450,000	-	-	-	-	6,450,000
Hung Yung Lai	28 February 2011 to 9 January 2021	65,000,000	-	-	-	-	65,000,000
Qiu Lei	28 February 2011 to 12 January 2021	590,000	-	-	-	-	590,000
Continuous contract employees (other than directors)	28 February 2011 to 12 January 2021	17,950,000	-	-	-	-	17,950,000
		<u>141,380,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,780,000)</u>	<u>136,600,000</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.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company and their respective associates (as defined in GEM Listing Rules) had an interest in a business, which competes with the Company or may compete with the businesses of the Group.

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The Company has applied the principles and complied with the requirements set out in the Code on Corporate Governance Practices ("CG code") contained in Appendix 15 of the GEM listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions during the six months ended 30 June 2012 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.

AUDIT COMMITTEE

The Company has established an audit committee on 27 August 2001 with terms of reference in compliance with the requirements as set out in 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 Hing	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 interim report for the six months ended 30 June 2012.

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*)

Qiu Lei (*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, 10 August 2012