



# **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 NINE MONTHS ENDED 30 SEPTEMBER 2007**

#### **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.

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*This announcement, 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 announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

\* For identification purposes only

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 and nine months ended 30 September 2007, together with the unaudited comparative figures for the corresponding periods in 2006, as follows:

## UNAUDITED CONSOLIDATED INCOME STATEMENT

		Three months ended		Nine months ended	
		30 September		30 September	
		2007	2006	2007	2006
	<i>Note</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Turnover	2	3,065	3,506	14,679	11,147
Cost of sales		(1,916)	(2,635)	(8,860)	(7,566)
Gross profit/(loss)		1,149	871	5,819	3,581
Distribution costs		(572)	(917)	(2,743)	(2,799)
General and administrative expenses		(2,557)	(2,587)	(6,442)	(8,268)
Other operating income	3	82	183	382	815
Profit/(loss) from operations		(1,898)	(2,450)	(2,984)	(6,671)
Finance costs		(367)	(332)	(1,127)	(925)
Share of profit of an associate		—	—	—	—
Profit/(loss) before tax		(2,265)	(2,782)	(4,111)	(7,596)
Taxation	4	(74)	(131)	(435)	(296)
Profit/(loss) after tax		(2,339)	(2,913)	(4,546)	(7,892)
Minority interests		—	—	—	—
Profit/(loss) attributable to shareholders		(2,339)	(2,913)	(4,546)	(7,892)
Profit/(loss) per share					
— Basic	5	<b>Rmb(0.39) cents</b>	Rmb(0.48) cents	<b>Rmb(0.75) cents</b>	Rmb(1.31) cents

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital (unaudited) <i>Rmb'000</i>	Share premium (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 2007	6,271	58,148	3,613	1,830	(84,415)	(14,553)
Loss for 9 months ended 30 September 2007	—	—	—	443	(4,546)	(4,103)
As at 30 September 2007	<u>6,271</u>	<u>58,148</u>	<u>3,613</u>	<u>2,273</u>	<u>(88,961)</u>	<u>(18,656)</u>
As at 1 January 2006	6,271	58,148	3,613	1,531	(68,264)	1,299
Loss for 9 months ended 30 September 2006	—	—	—	—	(7,892)	(7,892)
As at 30 September 2006	<u>6,271</u>	<u>58,148</u>	<u>3,613</u>	<u>1,531</u>	<u>(76,156)</u>	<u>(6,593)</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 2006.

### 2. Turnover

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

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Rmb’000</b>	<b>Rmb’000</b>	<b>Rmb’000</b>	<b>Rmb’000</b>
Sales of software	1,680	3,064	9,483	9,516
Sales of hardware	752	49	2,150	994
Maintenance and other services income	633	393	3,046	637
	<u>3,065</u>	<u>3,506</u>	<u>14,679</u>	<u>11,147</u>

### 3. Other operating income

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Rmb’000</b>	<b>Rmb’000</b>	<b>Rmb’000</b>	<b>Rmb’000</b>
Others	49	184	188	807
Interest income	(2)	(1)	10	8
Value added tax refund	35	—	184	—
	<u>82</u>	<u>183</u>	<u>382</u>	<u>815</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

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Rmb'000</b>	<b>Rmb'000</b>	<b>Rmb'000</b>	<b>Rmb'000</b>
Business tax <i>(Note a)</i>	<u>74</u>	<u>131</u>	<u>435</u>	<u>296</u>
	<u>74</u>	<u>131</u>	<u>435</u>	<u>296</u>

Hong Kong profits tax has not been provided as the Group had no income assessable for profits tax in Hong Kong for the nine months ended 30 September 2007 (nine months ended 30 September 2006: Nil).

PRC enterprise income tax has not been provided as the Group had no estimated assessable profits for the nine months ended 30 September 2007 (nine months ended 30 September 2006: 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 profit/(loss) per share for the three months and nine months ended 30 September 2007 is based on the Group's unaudited combined loss attributable to shareholders of approximately RMB(2,339,000) and RMB(4,546,000) (three months and nine months ended 30 September 2006: loss of approximately Rmb2,913,000 and Rmb7,892,000 respectively) divided by the weighted average number of ordinary shares outstanding for three months and nine months ended 30 September 2007 of 603,000,000 shares (three and nine months ended 30 September 2006: 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 and nine months ended 30 September 2007, and three and nine months ended 30 September 2006.

#### 6. Dividend

The Board does not recommend the payment of dividend for the nine months ended 30 September 2007 (nine months ended 30 September 2006: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Financial review and results of operations*

For the nine months ended 30 September 2007, the Group recorded a total turnover of approximately Rmb14,679,000, representing an increase of 32% as compared to the same period of last year (for the nine months ended 30 September 2006 : Turnover amounted to approximately Rmb11,147,000). Furthermore, the Group's gross profit ratio was approximately 40%, representing an increase of 8% as compared to the same period of last year (for the nine months ended 30 September 2006 : Gross profit ratio amounted to approximately 32%). This shows that financial performance of the Group has some improvement as compared with last year.

Although the Group still recorded a loss attributable to shareholders of approximately Rmb4,546,000 for the three quarters, it has decreased 42% significantly as compared to the same period of last year (for the nine months ended 30 September 2006 : loss attributable to shareholders amounted to approximately Rmb7,892,000). One of the reasons for the loss decrease can be attributable to successful cost control over the past months.

With our continuing efforts to cost control and the fact that peak season of our business normally takes place in the second half of the year, we believe that the results for the fourth quarter will be further improved.

## BUSINESS REVIEW

### **Banking Business**

The tendering for the centralised procurement of POS terminals by banks was completed, and the Group was proactively negotiating with customers for contract execution.

Promotion and sales of the upgraded versions of the POS-MIS system have been very satisfactory, and a number of markets have been developed, which has driven the sales of hardware to grow more than double over the corresponding period of the previous year.

In respect of the "Capital Trading System" project, the phase II implementation in Bank of Beijing has been commenced. Phase III contract with Bank of Communications, and contracts with China Development Bank and China Merchants Bank have been entered into and implementation started. Meantime, there are still three new and old customers under commercial negotiations, and which are expected to enter into contracts in the fourth quarter.

### **Education Business**

In respect of the cooperation with Zhejiang University, in addition to the provision of product development, the Group also provided solutions jointly with the cooperation partners, contracts have been entered into and are under implementation.

The Group jointly with banks to promote the Bank-college Express Charging Administration System to campuses, and has successfully extended to ten campuses. The Group's promotion and the projects with the cooperation partners are progressing steadily.

## FUTURE OUTLOOK

The fourth quarter will be the peak season for the delivery and installation services of the bank POS terminal, and the entering of sales contracts will also be conducted in the coming quarter.

In respect of the “EagleEye” monitoring product, the Group will continue with its innovations, and strive to provide professional services to different customers. New products in line with applications for different environments are being developed.

With the implementation of the “Capital Trading System” project, market share continued to expand, and still steadily occupying the leading market position in the PRC. Following the gradual maturing in the profession of the team, the Group has started to provide development of other products for its cooperation partners. Of these, the successful cooperation with China Development Bank and Bank of Communications will have significant impact on the industry.

As for education business, a number of projects, such as sales of Bank-college Express Charging Administration System and product development for Zhejiang University are under negotiation, and are expected to generate more revenue for the Group in the four quarter.

## SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 30 September 2007, 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		Percentage of shareholding
		Long position	Short position	
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 30 September 2007, 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 September 2007, 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 (note 1)	—	50.7%

## 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	—	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 30 September 2007 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 say 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 30 September 2007 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 2007	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 30 September 2007
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	3,790,000	–	–	(120,000)	(170,000)	3,500,000
		<u>6,970,000</u>	<u>–</u>	<u>–</u>	<u>(120,000)</u>	<u>(170,000)</u>	<u>6,680,000</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 30 September 2007, 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 nine months ended 30 September 2007.

## **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 nine months ended 30 September 2007 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 nine months ended 30 September 2007, 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:

<b>Name</b>	<b>Position in the audit committee</b>	<b>Position in the Board of Directors</b>
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 nine months ended 30 September 2007.

By Order of the Board  
**Hung Yung Lai**  
*Chairman*

Hong Kong, 13 November 2007

As the date of this announcement, the Board Comprises of:

Hung Yung Lai (*Executive Director*)

Cui Jian (*Executive Director*)

Xu Shu Yi (*Executive Director*)

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

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

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

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