



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)

**THIRD QUARTERLY REPORT
FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2011**

* *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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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 nine months ended 30 September 2011, together with the unaudited comparative figures for the corresponding periods in 2010, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Renminbi)

| | Notes | Three months ended 30 September | | Nine months ended 30 September | |
|--|-------|------------------------------------|-------------------------------|-----------------------------------|-------------------------------|
| | | 2011 RMB'000 | 2010 RMB'000 (Restated) | 2011 RMB'000 | 2010 RMB'000 (Restated) |
| Revenue | 3 | 2,705 | 2,197 | 12,204 | 9,032 |
| Cost of sales | | (3,938) | (3,113) | (13,777) | (11,811) |
| Gross loss | | (1,233) | (916) | (1,573) | (2,779) |
| Other income | 4 | 527 | 583 | 3,086 | 901 |
| Other gains | | 10,732 | 10,747 | 25,420 | 10,747 |
| Distribution and selling expenses | | (2,489) | (893) | (6,155) | (2,319) |
| Administrative expenses | | (14,029) | (3,796) | (42,430) | (9,447) |
| Research and development costs | | (420) | – | (1,631) | – |
| Loss on initial recognition of warrant subscription rights | | – | (43,132) | – | (43,132) |
| Finance costs | | (645) | (55) | (699) | (226) |
| Loss before taxation | | (7,557) | (37,462) | (23,982) | (46,255) |
| Income tax expense | 5 | – | (69) | – | (515) |
| Loss for the period | | (7,557) | (37,531) | (23,982) | (46,770) |
| Other comprehensive income | | | | | |
| Exchange differences arising on translating | | – | (2,305) | – | (3,125) |
| Total comprehensive expenses for the period | | (7,557) | (39,836) | (23,982) | (49,895) |
| Loss per share | | | | | |
| – Basic (RMB cents) | 6 | 0.93 | 4.72 | 2.95 | 6.33 |
| – Diluted (RMB cents) | 6 | 0.93 | 5.94 | 2.95 | 7.70 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in Renminbi)

| | Share Capital (Unaudited) RMB'000 | Share premium (Unaudited) RMB'000 | Statutory surplus reserve (Unaudited) RMB'000 | Translation reserve (Unaudited) RMB'000 | Share option reserve (Unaudited) RMB'000 | Accumulated losses (Unaudited) RMB'000 | Total (Unaudited) RMB'000 |
|--|--|--|---|--|--|---|---------------------------------|
| As 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 for the period and total comprehensive expenses for the period | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(23,982)</u> | <u>(23,982)</u> |
| Recognition of equity-settled share based payments | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>24,689</u> | <u>-</u> | <u>24,689</u> |
| At 30 September 2011 | <u>8,132</u> | <u>151,770</u> | <u>3,613</u> | <u>5,217</u> | <u>36,105</u> | <u>(182,045)</u> | <u>22,792</u> |
| As at 1 January 2010 as originally stated | 6,827 | 72,651 | 3,613 | 5,217 | - | (86,158) | 2,150 |
| Correction of accounting error of prior years (note 2) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>8,241</u> | <u>(8,241)</u> | <u>-</u> |
| At 1 January 2010 (restated) | <u>6,827</u> | <u>72,651</u> | <u>3,613</u> | <u>5,217</u> | <u>8,241</u> | <u>(94,399)</u> | <u>2,150</u> |
| Loss for the period and total comprehensive expenses for the period (restated) | <u>-</u> | <u>-</u> | <u>-</u> | <u>(3,125)</u> | <u>-</u> | <u>(46,770)</u> | <u>(49,895)</u> |
| Issue of ordinary shares during the period | <u>1,167</u> | <u>67,777</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>68,944</u> |
| Recognition of equity-settled share based payments | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,321</u> | <u>-</u> | <u>2,321</u> |
| At 30 September 2010 (restated) | <u>7,994</u> | <u>140,428</u> | <u>3,613</u> | <u>2,092</u> | <u>10,562</u> | <u>(141,169)</u> | <u>23,520</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

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.

Notes:

1. GENERAL

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 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 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 2010.

2. CORRECTION FOR ACCOUNTING ERRORS OF PRIOR YEARS

- (a) In prior years, the Group did not follow IFRS 2 Share-based Payment to account for share options granted to employees after 7 November 2002 and vested on or after 1 January 2005. The prior period errors are corrected by retrospective restatement to increase share options reserve and accumulated losses as at 1 January 2010 by RMB8,241,000 with the recognition of share-based payment expenses for the nine months ended 30 September 2010 amounting to RMB2,321,000 and recognition of share-based payment expenses for the three months ended 30 September 2010 amounting to RMB955,000. The cost of sales, distribution and selling expenses, and administrative expenses for the nine months ended 30 September 2010 are restated from RMB11,128,000, RMB2,150,000 and RMB7,978,000 to RMB11,811,000, RMB2,319,000 and RMB9,447,000 respectively. The cost of sales, distribution and selling expenses, and administrative expenses for the three months ended 30 September 2010 are restated from RMB2,852,000, RMB824,000 and RMB3,171,000 to RMB3,113,000, RMB893,000 and RMB3,796,000 respectively.
- (b) In August 2010, 159,000,000 warrants had been issued by the Group. At 30 September 2010, instead of classifying the warrants as financial liabilities at fair value through profit or loss, the warrants were classified as equity instruments for accounting purpose. Accordingly, no warrant reserve should be recognized at 30 September 2010. The financial liabilities at fair value through profit or loss should be increased by RMB35,893,000 at 30 September 2010, and the Group’s loss for the nine months ended 30 September 2010 and for the three months ended 30 September 2010 should be increased by RMB32,385,000.

2. CORRECTION FOR ACCOUNTING ERRORS OF PRIOR YEARS (Cont'd)

As a result of the correction of the above errors, the result for the nine months ended 30 September 2010 are restated from loss for the period of RMB12,064,000 to loss for the period of RMB46,770,000. The results for the three months ended 30 September 2010 are restated from loss for the period of RMB4,191,000 to loss for the period of RMB37,531,000. The basic and diluted loss per share for the nine months ended 30 September 2010 of RMB1.63 cents and RMB1.60 cents are restated to the basic and diluted loss per share of RMB6.33 cents and RMB7.70 cents respectively. The basis and diluted loss per share for the three months ended 30 September 2010 of RMB0.53 cents and RMB0.50 cents are restated to basic and diluted loss per share of RMB4.72 cents and RMB5.94 cents respectively.

3. REVENUE

Revenue represents income from sale of computer software and hardware, and maintenance income. Revenue comprises the followings:

| | (Unaudited) Three months ended 30 September | | (Unaudited) Nine months ended 30 September | |
|--------------------|---|-----------------|--|-----------------|
| | 2011 RMB'000 | 2010 RMB'000 | 2011 RMB'000 | 2010 RMB'000 |
| Sales of software | 833 | 600 | 1,153 | 1,362 |
| Sales of hardware | 437 | 8 | 884 | 572 |
| Maintenance income | 1,435 | 1,589 | 10,167 | 7,098 |
| | <u>2,705</u> | <u>2,197</u> | <u>12,204</u> | <u>9,032</u> |

4. OTHER INCOME

| | (Unaudited) Three months ended 30 September | | (Unaudited) Nine months ended 30 September | |
|--|---|-----------------|--|-----------------|
| | 2011 RMB'000 | 2010 RMB'000 | 2011 RMB'000 | 2010 RMB'000 |
| Reverse of impairment loss recognised on inventories | - | - | 1,596 | - |
| Interest income | 50 | 354 | 78 | 363 |
| Others | 477 | 229 | 1,412 | 538 |
| | <u>527</u> | <u>583</u> | <u>3,086</u> | <u>901</u> |

6. LOSS PER SHARE (Cont'd)

| | (Unaudited) | | (Unaudited) | |
|--|---------------------------|----------------|--------------------------|----------------|
| | Three months ended | | Nine months ended | |
| | 30 September | | 30 September | |
| | 2011 | 2010 | 2011 | 2010 |
| | '000 | '000 | '000 | '000 |
| Number of shares | | | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | 811,840 | 795,840 | 811,840 | 738,508 |
| Effect of dilutive potential ordinary shares | | | | |
| – Warrant subscription rights | N/A | 17,084 | N/A | 8,589 |
| Weighted average number of ordinary shares for the purpose of diluted loss per share | <u>811,840</u> | <u>812,924</u> | <u>811,840</u> | <u>747,097</u> |

No diluted loss per share for the period is presented as the exercise of the share options and warrants would result in a reduction in loss per share for the nine months ended 30 September 2011.

7. DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 30 September 2011 (For the nine months ended 30 September 2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review and results of operations

For the nine months ended 30 September 2011, the Group recorded a total revenue of approximately RMB12,204,000, an increase of 35% as compared to the same period of last year (For the nine months ended 30 September 2010: approximately RMB9,032,000). “Bank-Business Express” – Project with Gome Electrical Appliances Holding Limited, the second generation of RUNPOS products, has contributed 32% of the total revenue for the period under review.

The Group recorded a loss of approximately RMB23,982,000 for the three quarters of 2011, a decrease of 49% as compared to the same period of last year (For the nine months ended 30 September 2010: restated net loss approximately RMB46,770,000). The decrease in loss was mainly attributable to the increase of fair value gain on derivative financial liability during the nine months ended 30 September 2011.

During the nine months ended 30 September 2011, the Company recorded equity-settled share-based payment and fair value gain on derivative financial liability of approximately RMB24,689,000 (For the nine months ended 30 September 2010: RMB2,321,000) and RMB25,420,000 (For the nine months ended 30 September 2010: restated fair value gain on derivative financial liability approximately RMB10,747,000) respectively. The equity-settled share-based payment for the nine months ended 30 September 2011 was allocated between the cost of sales, distribution and selling expenses and administrative expenses amounting to RMB1,374,000, RMB207,000 and RMB23,108,000 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-commerce

The Group entered into collaboration agreements with the Shangdong, Henan and Tianjin branches of UnionPay during the third quarter and the projects have commenced operation. Two key projects operated under the Yunnan model have achieved fundamental breakthroughs and have made substantial progress. Pilot projects are expected to be launched in the fourth quarter and the projects will be officially rolled out in Yunnan, including Kunming, next year.

RUNPOS Mobile Payment Business

The second generation RUNPOS products, namely the “Bank-Hospital Express” and “BankBusiness Express”, also made significant progress in the quarter. The Group has completed the first phase of construction and signed contracts for the construction of Phases II and III. Most importantly, these projects should also attract customers to become our mobile payment subscribers, accelerating the development of the Group’s third generation RUNPOS product – the mobile payment business and further expand the market base of this business.

FUTURE OUTLOOK

In order to support the seamless online/offline integration of the second and third generations of the RUNPOS mobile payment business, the Group has continued to boost its investment in human resources, innovative technology research and development, and market expansion, which has resulted in a loss for the Group during the quarter. However, the Group believes that such an extensive investment is necessary as it is of significant strategic importance to our long-term development and to solidifying our core competitiveness. Our management has strived to ensure the effectiveness of the input and success rate of projects through careful cost evaluation and controlling risk.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 30 September 2011, 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 | 6,940,000 | - | 0.85% |
| Ms. Li Kei Ling | Corporate interest | 287,855,000 <i>(notes 2 and 3)</i> | - | 35.46% |
| Mdm. Iu Pun | Family interest | 359,795,000 <i>(note 5)</i> | - | 44.32% |
| 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 6,940,000 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 September 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 September 2011, 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 | 6,940,000 | - | 0.85% |

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 September 2011 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, will 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.

SHARE OPTION SCHEME (Cont'd)

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.

SHARE OPTION SCHEME (Cont'd)

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.

SHARE OPTION SCHEME (Cont'd)

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 2011 | 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 2011 |
|--|-------------------------------------|--|---|---|---|--|---|
| 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 | 21,320,000 | - | - | - | - | 21,320,000 |
| 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 | 15,530,000 | - | - | - | (500,000) | 15,030,000 |
| 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 | 7,130,000 | - | - | - | (310,000) | 6,820,000 |
| 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 | - | 18,670,000 | - | - | (190,000) | 18,480,000 |
| | | <u>59,820,000</u> | <u>84,260,000</u> | <u>-</u> | <u>-</u> | <u>(1,000,000)</u> | <u>143,080,000</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 nine months ended 30 September 2011 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 unaudited third quarterly report for the nine months ended 30 September 2011.

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, 11 November 2011